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PART II.

FURTHER CORRESPONDENCE

RESPECTING THE

VARNA AND RUSTCHUK RAILWAY COMPANY.

1884-85.

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CONFIDENTIAL.

Further Correspondence respecting the Varna and Rustchuk Railway Company.

PART II.

No. 1.

Mr. Lascelles to Earl Granville.—(*Received January* 21.)

(No. 2. Commercial.)

Sophia, January 8, 1884.

My Lord,

I HAVE not failed to communicate to M. Balabanoff your Lordship's despatch No. 51, Commercial, of the 21st ultimo, stating that Her Majesty's Government consider his Excellency's note with regard to the claims of the Varna-Rustchuk Railway Company to be most unsatisfactory, and that should the Bulgarian Delegates now in England fail to reach a settlement with the Company within a reasonable time, Her Majesty's Government would consider what measures should be adopted to obtain satisfaction of the legitimate demands of the Company and of the rights of Great Britain under the Treaty of Berlin.

M. Balabanoff said that my communication made him fear that Her Majesty's Government doubted the sincerity of the Bulgarian Government in this question. He could assure me again that the Delegates had been instructed to do their utmost to arrive at a settlement with the Company, and he had great hopes of their being able to do so. He quite understood that if the present attempt failed there would be no course left but to submit the question to the arbitration of the Ambassadors of the Great Powers at Constantinople.

I have also spoken to M Zankow on this subject, who assured me that the Bulgarian Government had decided to arrive at a settlement, and that they would certainly do so. He said that the Delegates had been authorized to accept the proposals made on behalf of the Company by Mr. Mozley last year, and on my remarking that more than a year had elapsed since then, during which the interest had been accumulating, his Excellency said that he did not think that a difference of two or three millions of francs would prevent a settlement being reached. His Excellency did not conceal from me that there would probably be some difficulty in obtaining the consent of the National Assembly to the payment of so large a sum of money; but that the Bulgarian Government were perfectly decided to settle the question.

I have, &c.

(Signed) FRANK C. LASCELLES.

No. 2.

Mr. Rawson to Earl Granville.—(*Received January* 21.)

6, *Palace Square, Upper Norwood, January* 18, 1884.

My Lord,

I AM an unfortunate bondholder of the Varna Railway. Not being a shareholder in it I am not even invited to attend the ordinary meetings of the Company, the innocent ordinary public bondholders are, therefore, always ignorant of what may be taking place.

From the newspapers I gather that some Bulgarian officials have been in London

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for many weeks to arrange for the purchase of the railway; but I hear nothing of the result of these proceedings, though one would have imagined a few days would have been all that were necessary to decide matters.

If I could afford the loss I should sustain by selling my bonds I would do so, for I mistrust these foreigners. As it is, I am compelled to hold, in the hope that my loss may be lessened by so doing, and that the Berlin Treaty and the English Government will see justice done to both parties impartially; but this hope deferred is an anxious time to many who have been holding on to their bonds for many weary years, and who, for want of money, may still have to part with them before a settlement is concluded, unless it is quickly arrived at.

I beg, &c.
(Signed) J. RAWSON.

No. 3.

The Earl of Dufferin to Earl Granville.—(Received January 23.)

(No. 10. Commercial.)

Constantinople, January 12, 1884.

My Lord,

WITH reference to your Lordship's Commercial despatches No. 209 of the 23rd November last, and No. 226 of the 17th ultimo, I have the honour to transmit herewith, to your Lordship, copies of two notes which I have addressed to the Sublime Porte on the subject of the claim of the Varna Railway against the Ottoman Government.

I have, &c.
(Signed) DUFFERIN.

Inclosure 1 in No. 3.

The Earl of Dufferin to Aarifi Pasha.

Constantinople, le 27 Décembre, 1883.

M. le Ministre,

J'AI reçu la note verbale responsive que le Ministère Impérial a bien voulu m'adresser le 17 courant relativement à la somme de 140,000*l.* due par le Gouvernement Impérial à la Compagnie du Chemin de Fer de Varna.

Dans cette note il est dit que cette réclamation tombe sous l'application de l'Article X du Traité de Berlin, et que rentrant dans la catégorie des comptes antérieurs la régularisation en est subordonnée à l'entente prévue par le dit Traité. Cette note ajoute que le Gouvernement Impérial n'avait pris aucun engagement touchant le payement de cette créance et que les assurances de la Sublime Porte ne s'étaient rapportées qu'aux créances de certains sujets Britanniques, fournisseurs de l'armée Impériale.

En réponse, votre Altesse me permettra de lui déclarer que le Gouvernement de Sa Majesté ne saurait pouvoir s'associer à cette manière de voir de la Sublime Porte et qu'il se croit en droit de demander le payement de la somme précitée.

Comme votre Altesse ne l'ignore pas, cette affaire a fait l'objet de plusieurs notes que cette Ambassade a adressées au Département dont votre Altesse est aujourd'hui le digne chef. Dans les communications officielles mes prédécesseurs ont sans cesse fait valoir que la somme de 140,000*l.* constituait une dette du Gouvernement Impérial envers la Compagnie du Chemin de Fer de Varna, et qu'elle ne pouvait pas tomber sous l'application des stipulations du Traité de Berlin. En effet, M. le Ministre, il ne s'agit point ici d'un compte à régler mais bien d'une obligation délivrée par le Ministère des Finances en 1876 à M. Michel Timoni, représentant de la Compagnie du Chemin de Fer de Varna, constatant que la somme de 140,000*l.* était due à sa Compagnie pour la garantie de l'Exercice de 1874-75, et que cet argent lui serait payé par des versements successifs à raison de £ T. 12,100 par mois, et que le premier versement devait s'effectuer le 16 Mai, 1292 (1876).

Il est inutile de rappeler qu'avant de délivrer une pareille obligation les comptes auraient été dûment examinés par le Ministère des Travaux Publics et approuvés ensuite par le Conseil des Ministres.

Prenant en sérieuse considération les arguments exposés dans la note que son Excellence Sir H. Layard avait eu l'honneur d'adresser à la Sublime Porte, le 1er Mai, 1880, son Excellence Abeddine Pacha, alors Ministre des Affaires Étrangères de Sa

Majesté Impériale le Sultan, par sa note datée du 3 Août de la même année, informe son Excellence Mr. Goschen, alors Ambassadeur près Sa Majesté Impériale le Sultan, que le non-payement de l'obligation des 140,000*l.*, délivrée à Mr. Michel Timoni, était dû à des causes indépendantes de la volonté du Ministère des Finances. "Le Trésor Impérial," ajoutait Soubhi Pacha, dans son Rapport, "n'aurait pas manqué de faire face à cet engagement sans l'état de gêne où il s'est vu réduit au point de suspendre tout le service de la Dette Publique. La Sublime Porte avait reconnu officiellement cette dette, et il ne s'agissait alors que de trouver le moyen convenable pour la satisfaire."

Votre Altesse est beaucoup trop juste pour ne pas reconnaître que devant une pareille note du Ministère Impérial des Affaires Étrangères l'Ambassade de Sa Majesté est justifiée à ne pas admettre les fins de non recevoir de la Sublime Porte pour faire traîner en longueur le payement de cette juste réclamation.

Il me revient que les difficultés suscitées en dernier lieu proviennent de ce que le Ministère des Finances, oubliant peut-être d'avoir déjà admis cette créance, a cru devoir, pour des scrupules de conscience non justifiés, exprimer l'avis que cette réclamation tombait sous les stipulations du Traité de Berlin! Mais j'ai appris aussi que le Bureau Consultatif appelé à se prononcer aurait déclaré itérativement que cette créance constituait la dette directe du Gouvernement Impérial; qu'elle n'avait rien de commun avec le réglement des comptes antérieurs de la Compagnie, à savoir: l'Exercice de 1875-76, 1876-77, et 1877-78, qui restent toujours réservés à une entente entre la Sublime Porte, le Gouvernement de la Principauté, et l'Administration de la Compagnie, aux termes de l'Article X du Traité de Berlin, et que la Sublime Porte devait la satisfaire immédiatement, quitte après à lui de le faire rembourser par le Gouvernement Bulgare s'il l'aurait jugé opportun.

Il y a deux ans environ lorsque, à la suite d'une entente intervenue entre la Sublime Porte et cette Ambassade, le Gouvernement Impérial se décida de régler les créances de certains sujets Britanniques qui avaient fait des fournitures à l'armée Impériale, j'avais aussi, sur la liste présentée à la Porte, ajouté la réclame qui fait l'objet de la présente note, et le Gouvernement Impérial n'a pas soulevé la moindre objection. A l'appui de cette assertion je citerai la note verbale que le Département de votre Altesse m'a fait l'honneur de m'adresser le 18 Août, 1881, disant que le Département des Finances avait reçu l'ordre de régler aux moyens de délégations les créances des sujets Anglais indiquées sur une liste remise par l'Ambassade de Sa Majesté.

Ce qui précède prouvera à votre Altesse, d'une façon indiscutable, que le Gouvernement Impérial s'est déjà engagé vis-à-vis cette Ambassade à fournir des "havalés" pour payer la créance Timoni dans les mêmes conditions que les autres créances Anglaises visées par l'entente officielle susmentionnée.

Ce point étant acquis, il n'est pas vraisemblable que la Sublime Porte veuille encore hésiter à admettre et à payer la créance de la Compagnie du Chemin de Fer de Varna.

Quant à moi, M. le Ministre, je ne vous cacherai pas que prenant acte de la note du Ministère Impérial, je me suis empressé alors d'informer mon Gouvernement que la Sublime Porte avait décidé de payer ces 140,000*l.* au moyen de délégations sur les provinces, et mon Gouvernement a déjà exprimé son étonnement de voir que les promesses et les engagements contractés par le Gouvernement Impérial n'avaient pas encore reçu leur commencement d'exécution.

Si, malgré toutes ces considérations, la Sublime Porte croit devoir persister dans son refus, je me verrai, Altesse, à mon grand regret, dans l'obligation de signaler à la sérieuse attention de mon Gouvernement une situation que je ne puis que déplorer d'avance.

J'aime à espérer que votre Altesse, mue par les sentiments de justice et d'équité qui la distinguent, m'épargnera cette tache désagréable en engageeant la Sublime Porte de transmettre des ordres pour que le "Malie" fournisse les délégations promises à Mr. Timoni.

Dans le cas où, contrairement à mon attente, le Gouvernement Impérial comprendra cette créance dans la dette flottante, je me verrai dans l'obligation de donner tout mon appui à la protestation que la Compagnie a formulée contre une pareille décision.

Je saisis, &c.
(Signé) DUFFERIN.

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PUBLIC RECORD OFFICE, LONDON

Inclosure 2 in No. 3.

The Earl of Dufferin to Aarifi Pasha.

Constantinople, le 10 *Janvier*, 1884.

M. le Ministre,

PAR ma note en date du 27 écoulé j'avais eu l'honneur d'exposer à votre Altesse les arguments irréfutables sur lesquels je me suis basé pour demander le payement de la somme de 140,000*l.* due par le Gouvernement Impérial à la Compagnie du Chemin de Fer de Varna.

Mon Gouvernement, qui est anxieux d'apprendre que la Sublime Porte a fait droit à cette juste créance, vient de me transmettre de nouvelles instructions en vue de presser votre Altesse de donner les ordres nécessaires au Malié pour qu'il fournisse à Mr. Timoni, agent de la susdite Compagnie, les havalés promis.

En conséquence, je viens attirer la sérieuse attention de votre Altesse sur le contenu de ma note précitée dans l'espoir qu'elle sera prise en due considération, et que je serai bientôt à même d'informer Lord Granville que le Gouvernement Impérial a satisfait cette réclamation qui constitue sa dette directe.

Je prie votre Altesse de m'honorer d'une prompte et satisfaisante réponse, et je saisis, &c.

(Signé) DUFFERIN.

No. 4.

Lord E. Fitzmaurice to Mr. Rawson.

Foreign Office, January 23, 1884.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 18th instant, and in reply I am to state to you that negotiations are now proceeding with a view to effecting a settlement of the Varna Railway question.

I am, &c.

(Signed) EDMOND FITZMAURICE.

No. 5.

Earl Granville to the Earl of Dufferin.

(No. 15. Commercial.)

Foreign Office, January 28, 1884.

My Lord,

I HAVE to inform your Excellency that I approve your notes to the Porte, copies of which are inclosed in your despatch No. 10, Commercial, of the 12th instant, on the subject of the arrears of subsidy due to the Varna Railway Company.

I am, &c.

(Signed) GRANVILLE.

No. 6.

Messrs. Stoïtchoff and Harrower to Lord E. Fitzmaurice.—(*Received February* 11.)

48, *Albemarle Street, February* 9, 1884.

My Lord,

WE have received instructions from the Bulgarian Government to inform your Lordship of the state of the negotiations entered into with the representatives of the Varna Railway Company, and the offer made on the part of our Government for the purchase of the railway and the settlement of all pending questions.

We shall, therefore, feel exceedingly obliged if your Lordship will grant us an interview for that purpose, and shall hold ourselves in readiness for any time you may please to appoint.

We are, &c.

(Signed) N. S. STOITCHOFF.
THOS. HARROWER.

No. 7.

Lord E. Fitzmaurice to Messrs. Stoïtchoff and Harrower.

Foreign Office, February 11, 1884.

Gentlemen,

I AM directed by Earl Granville to acknowledge the receipt of your letter dated the 9th instant, relative to the present state of the negotiations between the Bulgarian Government and the Varna Railway Company, and with regard to your request for a personal interview on the subject, I am to observe that Her Majesty's Government would be glad, in the first instance, to receive from you a written statement showing how the matter stands, leaving the question of an interview for a further communication.

I am, &c.

(Signed) EDMOND FITZMAURICE.

No. 8.

Messrs. Stoïtchoff and Harrower to Lord E. Fitzmaurice.—(*Received February* 13.

48, *Albemarle Street, February* 13, 1884.

My Lord,

AGREEABLY to the desire expressed in your letter of the 11th instant, and without entering into any details of the previous steps taken, we have the honour to inform your Lordship that we have now, on the part of the Bulgarian Government, made an offer to the representatives of the Varna Railway Company for the settlement of all pending questions and for the purchase of the entire railway undertaking, subject to the conditions that it is to be delivered into the possession of the Government, free from the lease to the "Compagnie d'Exploitation," with which it is now encumbered, and in good working order.

The total sum offered for these purposes is 48,000,000 fr., of which it is proposed to pay in cash 4,000,000 fr., the remaining 44,000,000 fr. to be in Bulgarian State bonds, duly secured, and bearing interest at 6 per cent. to be exchanged at par for the bonds and shares of the Company, the redemption of those bonds to be settled hereafter, as that will depend principally on the sum which the Bulgarian Government shall fix as annuity, the period ranging from forty to fifty years.

The reply of the Committee of the Varna Board has not yet been received by us.

If your Lordship should desire any further information as to the above proposal, or the bases on which our Government has made it, we shall be happy to supply it.

We are, &c.

(Signed) N. S. STOITCHOFF.
THOS. HARROWER.

No. 9.

Lord E. Fitzmaurice to Messrs. Stoïtchoff and Harrower.

Foreign Office, February 16, 1884.

Gentlemen,

I AM directed by Earl Granville to acknowledge with thanks the receipt of your letter of the 13th instant, informing his Lordship of the terms offered to the Varna and Rustchuk Railway Company for the purchase of their line.

I am, &c.

(Signed) EDMOND FITZMAURICE.

No. 10.

Mr. Lascelles to Earl Granville.—(*Received February* 18.)

(No. 7. Commercial.)

Sophia, February 5, 1884.

My Lord,

ON the 2nd instant I had a conversation with M. Balabanoff, in the course of which his Excellency informed me that the Bulgarian Delegates in London had

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reported that the Varna-Rustchuk Railway Company had refused the offer which they had been instructed to make for the purchase of the line. In consequence of this refusal, the Bulgarian Government had decided to make a further offer, and the Delegates had been instructed to offer a sum of 48,000,000 fr., 4,000,000 fr. of which were to be paid in cash, and the rest in bonds bearing interest at the rate of 6 per cent., the former offer having been a capital of 46,000,000 fr., of which 2,000,000 fr. were to be paid in cash, and the rest in 5 per cent. bonds. His Excellency said that this was the utmost limit to which the Bulgarian Government could go, and if it were refused, they would have no other course left them but to recall their Delegates. He hoped that Her Majesty's Government would recognize that the Bulgarian Government had done their utmost to settle the question in an amicable manner.

I told M. Balabanoff that I had received no direct information on the subject, but that I had heard indirectly that the reason of the Company for refusing the offer previously made was that the Delegates insisted that the 5 per cent. bonds should be taken at par, whereas it had been calculated that their real value would represent 70 per cent. of the nominal value. That, however, was a question with which Her Majesty's Government had nothing to do. If the Bulgarian Government and the Company could come to terms, so much the better; and I reminded his Excellency that Her Majesty's Government had consented to wait a reasonable time to see if an amicable arrangement could be arrived at, but if this were not possible, Her Majesty's Government would consider what measures should be taken to obtain satisfaction of the legitimate demands of the Company, and of the rights of Great Britain under the Treaty of Berlin.

I have held similar language to M. Zancoff, who said that the resources of the Principality would not admit of the payment of a large sum, and even supposing that the matter came to arbitration, and that a large sum were awarded, it would not be possible for Bulgaria to pay it. Even as it was the Government had been severely criticized for having made so large an offer in the first instance, and the increase which they now made was a proof of their sincere desire to arrive at a settlement of the question.

The Prince of Bulgaria has also spoken to me on the subject. His Highness hoped that the offer now made would be accepted, and said he was somewhat astonished that any Bulgarian Minister should have been found who had sufficient courage to propose the payment of a sum which was very largely in excess of the value of the line.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 11.

Mr. Pasco to Earl Granville.—(Received February 29.)

Varna Railway Company, Offices, 56, New Broad Street,
London, February 29, 1884.

My Lord,

WITH reference to the interview which the Chairman of this Company, Mr. Wollaston Blake, had with the Under-Secretary of State on the 25th instant, and in compliance with the request then made to him that copies of the correspondence with the Bulgarian Delegates, and a Memorandum in reference to their offer and the position of this Company should be sent for the information and guidance of the Foreign Office, I am instructed to forward herewith to your Lordship copies of the letters that have passed between the Bulgarian Delegates, Messrs. N. S. Stoïtchoff and Thomas Harrower, and the Board of this Railway, together with a Memorandum which has been drawn up by the Chairman in relation to this matter.

I have, &c.
(Signed) ROBT. PASCO, *Secretary.*

Inclosure in No. 11.

SYNOPSIS of Documents forwarded to Earl Granville, K.G., K.C.B., in letter dated February 29, 1884.

No. 1. Memorandum by the Chairman, Mr. Wollaston Blake, in reference to the position and rights of the Varna Railway Company, and in respect of the terms of purchase offered by the Bulgarian Delegates.
No. 2. Letter from the Bulgarian Delegates, dated 11th January, 1884, addressed to the Council.
No. 3. Letter from the Company addressed to the Delegates, dated 23rd January, 1884.
No. 4. Letter from the Delegates to the Company, dated 26th January, 1884.
No. 5. Letter from the Company to the Delegates, dated 29th January, 1884.
No. 6. Letter from the Delegates to the Company, dated 30th January, 1884.
No. 7. Letter from the Company to the Delegates, dated 13th February, 1884.
No. 8. Letter from the Company to the Delegates, dated 16th February, 1884.
No. 9. Letter from the Delegates to the Company, dated 16th February, 1884.

(Signed) ROBT. PASCO, *Secretary.*

Varna Railway Company, Offices, 56, New Broad Street,
London, February 29, 1884.

(No. 1.)

Memorandum by the Chairman, Mr. Wollaston Blake, in reference to the Position and Rights of the Varna Railway Company, and in respect of the Terms of Purchase offered by the Bulgarian Delegates.

The Varna Railway has now due to it, under the Treaty of Berlin, guaranteed interest from the Bulgarian Government, from the 3rd August, 1878, to the present time, say to March 1884, or five years and seven months, amounting to about 780,000*l.*

It has likewise due to it from the Turkish Government—

1. For the year ending the 30th June, 1875, 140,000*l.*, which has been arranged by that Government to be paid in havalés, not yet delivered; and—

2. Under the Treaty of Berlin, from the 1st July, 1875, to the 3rd August, 1878, which has to be arranged for, three years and one month, amounting to 430,000*l.*

The value of the line under the Turkish guarantee, as assumed by the Bulgarian Government, has been accepted by the Turks at 2,000,000*l.*, upon which the above 7 per cent. guarantee has been paid for several years. The Bulgarian Delegates first offered to purchase this line for the sum of 46,000,000 fr., which, at the exchange of 25 fr. 25 c., amounts to 1,820,000*l.*, coupled with the conditions that we are to liberate the line altogether from its present lease to the Baron de Hirsch, made with the sanction of the Ottoman Government; and likewise that we are to replace it in complete working order, as regards rolling-stock and the permanent way, and also to cede all the rights the Company possess against the Ottoman Government for the guarantee from the 1st July, 1875, to August 1878, as above stated; payment to be made by the Bulgarian Government (speaking in round figures) 80,000*l.* in cash and 1,740,000*l.* in 5 per cent. bonds at par.

This offer and the conditions attached to it having been deemed wholly inadequate, the Bulgarian Delegates, on the 8th February, 1884, made an amended offer, viz., 48,000,000 fr., payable—

	Fr.
In cash	4,000,000
6 per cent. bonds, at par	44,000,000
Total	48,000,000

subject to two conditions, viz.:—

1. Liberation of line from the contract with Baron de Hirsch.

2. The restoration of the line and rolling-stock.

The Bulgarian Delegates, in making their offer, ignore entirely the large sum of 780,000*l.* due and unpaid by them on account of interest, thus taking advantage of their own wrong-doing; and, in reference for their demand for the Varna Company to put the line and rolling-stock in good order, it is to be observed that, had the Bulgarian Government exercised their right to appoint two Commissioners to see to the proper maintenance of the line and stock, the present alleged deterioration and expense of

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reparation would have been prevented. Upon this point, therefore, the Bulgarian Government seek to obtain compensation for the consequences of their own neglect.

The Company, moreover, are not in a position to liberate the line from its contract with the Baron de Hirsch, sanctioned by the Turkish Government, or to renew it, and provide rolling-stock, which would necessarily take a long time to effect. The Bulgarian Government, on the other hand, would have it in their power to settle with the Baron far more easily, and on better terms, than the Company could do.

In a pecuniary point of view, the second offer of the Bulgarian Delegates will be as follows:—

The estimated cash value of the bonds, which are not dealt in or quoted on any Bourse, cannot be taken at more than 80, probably 60 would be more correct.

	£	£
The cash value of the above offer on this hypothesis will, at an exchange of 25 fr. 25 c. be 4,000,000 fr.		158,000
44,000,000 bonds at 80		1,393,900
		1,552,300
As at present advised, Baron de Hirsch asks from 160,000*l.* to 180,000*l.* for cancellation of the lease.		
Restoration of line, say from 50,000*l.* to 100,000*l.*, possibly more.	250,000	
Assume the two		
Debts arising from accumulated expenses, the Company having received no payments from Bulgaria or Turkey for the last ten years	60,000	
Cost of liquidation during two or three years, say . ..	20,000	
	80,000	330,000
Leaving net for the bond- and shareholders		1,222,300

The present proposal, therefore, may be equivalent as a maximum to an offer of 6*l.* 10*s.* for the bonds and 5*l.* for the shares, and is only 44 per cent. of the Company's claim of 2,780,000*l.* on the Bulgarian Government. This is quite inadequate, and in no way consonant with the Company's just rights, and inadmissible even when regarded in the light of a reasonable compromise with the view to a settlement. From information received, it appears that the Government have had the line valued by their own experts at—

	£
12,000*l.* per mile on 140 miles	1,680,000
Add 5 per cent. simple interest for 5½ years	462,000
Total	2,142,000

And at 6 per cent. it amounts to 2,230,000*l.*, or from 53,500,000 fr. to 55,600,000 fr. net according to their own valuation.

As to the conditions, even supposing the Company were in a position to comply with them, they must resolve themselves into a money value, and form an ingredient in any proposal of from 6,000,000 fr. to 7,000,000 fr. In any offer to be acceptable, the amount payable in each should be materially increased, and the bonds issued by the Company should have a quoted value, and form a part of a regular loan issued in the usual manner by the Government, which is not the case with the bonds offered.

The large amount due under the head of interest ought not to be ignored, and the total offer should be substantially augmented so as to produce, after providing for the obligations involved in the first and second conditions, and for the probable market price of the bonds, a larger sum than is indicated by the figures given in the preceding remarks, regarded as cash or its equivalent. The offer of the Bulgarian Delegates stated in the simple form of 48,000,000 fr., or about 1,900,000*l.* for the line is very misleading as to its real value.

	£
The Government, in fact, appropriate to themselves (of unpaid interest) ..	780,000
They stipulate for an expenditure of at least	250,000
And 25 per cent. or more must be deducted from the bonds to reduce them to a cash value, say	400,000
Total	1,430,000

Leaving as a *bond fide* offer for the line itself under 500,000*l.* in round numbers.

For the above reasons the Council felt it impossible to accept the offer of the Bulgarian Government in its present shape, and they prefer that the rights of the

Company, under the Treaty of Berlin, should be pressed forward to an arbitration by the Representatives of the Signatory Powers, as has already been agreed in principle both by the Company and the Bulgarian Government.

(No. 2.)

48, *Albemarle Street, January* 11, 1884.

Gentlemen,

In conformity with the desire you expressed at our meeting yesterday, and under the reserves contained in our letter of the 14th December, 1883, we now beg to confirm by the present the offer which we made verbally on the part of the Bulgarian Government for the purchase of the Varna Railway and settlement of all pending questions between that Government and the Company.

We offer for the purchase of the entire undertaking, viz., the line with its rolling-stock, material, dependencies, rights of every description, and including all sums due up to this date for guaranteed interest in arrear, the sum of 46,000,000 fr. under the following conditions:—

1. The railway to be completely liberated from the contract or lease under which the "Compagnie d'Exploitation" is now working it, and all indemnities to be paid for such liberation, or the surrender of the lease to be at the charge of the Company.

2. The line, with its rolling-stock, material, and dependencies, to be delivered to the Government in the same condition as the "Compagnie d'Exploitation" is bound to deliver it on the expiry of their lease.

3. All the rights of the Company to the guaranteed interest due from the Ottoman Government between the 1st July, 1875, and the 3rd August, 1878, to be ceded and surrendered to the Bulgarian Government.

The terms of payment we propose are as follows:—

(*a.*) To be paid in cash on the completion and approval of this arrangement by both parties, 2,000,000 fr.

(*b.*) The remainder to be paid in Government bonds properly secured, issued at par, bearing 5 per cent. interest, and redeemable in such period that the annual payment to be made by the Bulgarian Government shall not exceed 2,500,000 fr., viz., in about forty-four years.

We are, &c.
(Signed) N. S. STOITCHOFF.
THOS. HARROWER.

The Committee of the Board of Directors
of the Varna Railway Company,
56, New Broad Street.

(No. 3.)

Varna Railway Company, Offices, 56, *New Broad Street,*
London, January 23, 1884.

Gentlemen,

I am instructed to reply to your letter of the 11th instant, and to inform you that the Council of the Varna and Rustchuk Railway Company have taken into serious consideration the offer therein made on the part of the Bulgarian Government for the acquisition of that railway, and have likewise consulted the representatives of some of the largest bond- and shareholders upon the subject.

The Council gather that your offer is made subject to three conditions:—

1. That the railway is to be liberated from its present lease to the "Compagnie d'Exploitation."

2. That the line and rolling-stock are to be put at the expense of this Company into a state of complete repair and good working order.

3. That the Company's rights against the Ottoman Government from July 1875 to August 1878 are to be ceded to the Bulgarian Government.

With reference to these conditions the Council beg to offer the following observations:—

Assuming the railway to have passed into the hands of the Bulgarian Government, it would then be comparatively easy for them to make arrangements with

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the "Compagnie d'Exploitation," while at this moment it would be difficult for the Company to do so, if the surrender of the lease was made a condition precedent to any transfer of the line to the Government.

The second requirement that this Company should place the line in perfect order as regards rolling-stock; and permanent way is also one which the Council consider cannot be entertained.

It should be remembered that had the Bulgarian Government exercised its rights conferred by the Treaty of Berlin, and previously acted upon by the Bulgarian Government by the appointment of Commissioners to examine into the proper maintenance of the line and rolling-stock, the present condition, as alleged by your Government, would have been prevented, and the expense of restoration averted.

In regard to the cession of the Company's rights against the Ottoman Government, the Council feel that this is a matter altogether antecedent to the possession of the line by Bulgaria, and it is a question which cannot be dealt with as a condition attached to the present purchase of the line; though perhaps it might form hereafter the subject of a separate negotiation with mutual advantage to both the Company and your Government.

With reference to the proposed mode of payment, the Council consider it ought to be regarded as a cash transaction, or as one equivalent to cash; the amount now proposed to be actually paid in cash is extremely small, that in Bulgarian bonds forming by far the largest proportion of the proposed price. It ought not to be forgotten that these bonds are as yet not recognized, or quoted on the Stock Exchange here, or in any European Bourse. It is therefore impossible to fix what would be their cash value, or how they could be realized, until they became a convertible marketable security.

It would also appear that in the proposals made for the purchase of the line, the debt due from Bulgaria to the Varna Railway Company for guaranteed interest under the Treaty of Berlin for the last five and a-half years, now amounting to 770,000*l*., is ignored.

It can scarcely be supposed that the Government can have the intention to deprive the Company of that which is clearly due by appropriating this large sum towards the proposed purchase, in addition to requiring, under the circumstances already mentioned, a further heavy expenditure on the line for their benefit.

From the foregoing it will be gathered that the amount offered is inadequate, and the method of payment proposed unsatisfactory, whilst the conditions in connection therewith do not commend themselves to the favourable consideration of the Council, who therefore greatly regret that for the reasons given above they are unable, in its present shape, to entertain the offer submitted in your letter of the 11th instant.

They feel, however, that they may not unreasonably suggest that the views they have now expressed may be taken into your further consideration, and that you may find yourselves in a position to renew proposals on the part of your Government, more consonant with the admitted rights of this Company under the Treaty of Berlin. Under the belief, however, that you now possess the full authority of your Goverment to complete a Convention with the Company, founded upon equity and justice, the Council invite you to amend your proposals, and to again confer with them, in conjunction with some members of the Committee representing a large number of the bond- and shareholders, to endeavour to bring the negotiations to a termination alike satisfactory to your Government and the interests the Council represent.

I am, &c.

(Signed) ROBT. PASCO, *Secretary*.

Messrs. N. S. Stoïtchoff and Thos. Harrower,
48, Albemarle Street.

(No. 4.)

48, *Albemarle Street, January* 26, 1884.

Gentlemen,

We have the honour to acknowledge receipt of your letter of the 23rd instant, of which we carefully note the contents.

We observe in this letter certain statements characterized as admitted which we cannot accept as such; but, without entering into any discussion as to those or the other points treated of, as you have proposed a further conference, we beg to say that

we shall be glad to meet you and the other gentlemen indicated, for the purpose you mention.

We shall take the liberty of bringing with us to this meeting Mr. John Morris, of the firm of Ashurst and Morris, who is advising us in this matter, to explain our views.

We shall feel obliged if you will kindly fix the day and hour for this meeting, and inform us of them two or three days previously.

We are, &c.

(Signed) N. S. STOITCHOFF.
THOS. HARROWER.

The Committee of the Board of Directors
of the Varna Railway Company,
56, New Broad Street.

(No. 5.)

Varna Railway Company, Offices, 56, *New Broad Street*,
London, January 29, 1884.

Gentlemen,

I am instructed by the Committee of the Varna Board to acknowledge the receipt of your letter of the 26th January.

The Committee desire to express their regret that you have not felt yourselves able to submit any amended offer as suggested in the Board's letter of the 23rd instant.

The Committee observe that you propose to bring your solicitor, Mr. Morris, with you, at the suggested interview, but they are satisfied that at present it would be premature to introduce any legal element into the discussion. If it should happen that the heads of a Convention should be agreed upon between yourselves and the Board, then the solicitor to the Board would be placed in communication with your solicitor, with a view of formulating into a definite shape whatever may be understood.

I am instructed to add that in the opinion of the Committee it would much facilitate any verbal discussion, if you could, upon reconsideration, find yourselves in a position to convey by letter any suggestions you may have to offer in reply to the various points touched upon in my last communication, thus the subject matter of negotiation will be more clearly defined.

I am, &c.

(Signed) ROBT. PASCO, *Secretary*.

Messrs. N. S. Stoïtchoff and Thos. Harrower,
48, Albemarle Street.

(No. 6.)

Gentlemen,

48, *Albemarle Street, London, January* 30, 1884.

We beg to acknowledge receipt of your letter of yesterday's date.

In accepting the meeting suggested in your previous letter of the 23rd instant, it was our intention, other matters being cleared up, to state the amendments which the Government of Bulgaria has authorized us to make to our offer formulated in our letter of the 11th instant; but as you now request to be informed in writing of any suggestions on our part, we may state that we cannot depart from the conditions stipulated in our letter of the 11th instant, more particularly the Nos. 1 and 2; as for the No. 3, we think we might induce the Government to reconsider it, if we were agreed on other matters.

As to Nos. 1 and 2, there is no prospect of our Government coming to any arrangement in respect of the line unless the parties interested in it can give possession of it, and hand it over in fair working order.

Unless these preliminary and essential conditions are assented to, we hardly see the use of continuing at this moment that part of the negotiations relating to the price and terms of payment.

It was with the view of explaining more clearly the intentions of our Govern-

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ment, and not with the view of introducing any legal element into the negotiations, that we proposed to bring Mr. Morris with us to the meeting.

We are, &c.
(Signed) N. S. STOITCHOFF.
THOS. HARROWER.

The Committee of the Board of Directors
of the Varna Railway Company,
56, New Broad Street.

(No. 7.)

Varna Railway Company, Offices, 56, *New Broad Street*,
London, February 4, 1884.

Gentlemen,

I am desired by the Committee of the Board of the Varna Railway Company to acknowledge the receipt of your letter of the 30th January, and to express their regret that you have passed over in comparative silence the arguments and observations contained in my letter of the 23rd January. In your communication just received, you state that you are not authorized to depart from the conditions Nos. 1 and 2 attached to the offer contained in yours of the 11th ultimo. The Council, however, being solicitous, if possible, to bring the present negotiations to a definite and speedy solution, would invite you to meet the Committee of the Council and a deputation of the Bondholders' Committee, on Thursday next, the 7th instant, at the offices of the Company, at 3 o'clock.

I am, &c.
(Signed) ROBT. PASCO, *Secretary.*

Messrs. N. Stoïtchoff and Thos. Harrower,
48, Albemarle Street.

(No. 8.)

Varna Railway Company, Offices, 56, *New Broad Street*,
London, February 13, 1884.

Gentlemen,

I am instructed to address you on the subject of the amended offer which you verbally submitted to the Committees of the Council and of the bond- and shareholders at a joint conference on the 7th instant.

You then proposed to purchase the Varna Railway Company for the sum of 48,000,000 fr., payable 4,000,000 fr. in cash and 44,000,000 fr. in 6 per cent. bonds at par, subject to two conditions, viz.:—

1. The liberation of the line from the contract with Baron de Hirsch.
2. The restoration of the line and rolling-stock to a state of complete repair.

The Council will set aside for the present the further discussion on the two conditions with the single observation that they resolve themselves into a cash value of considerable amount to be deducted from any offer that may be made for the line.

With reference to the suggested mode of payment, the Council are of opinion that the amount payable in cash ought to be largely increased, and that the bonds to be created and issued to the Company should have a marketable value, secured by a first charge on certain revenues of the Principality, the issue being sanctioned by the Signatory Powers to the Treaty of Berlin.

The Company's rights under that Treaty to be clearly defined and to be preserved, and to revive in case of default in the payment of interest or principal.

In conclusion, the Council are of opinion that the question of the large amount due to the Company under the head of interest during the last five and a-half years during which Bulgaria has profited by the advantages conferred by the railway ought not to be lost sight of; and that the offer now submitted should be substantially augmented, so that when reduced to a cash value, after allowing for deduction due to the two conditions, and to the probable market value of the bonds, the amount divisible amongst the bond- and shareholders may be more consonant with the value of the line to Bulgaria, and with the undoubted rights of the Company.

The Council are confident that you will appreciate the force of the preceding observations, which are dictated in a spirit of equity and sound business principles,

and earnestly beg that you will represent them to your Government for their consideration, with a view of your being instructed to make proposals approximating more closely to a basis whereon a fair settlement may be speedily effected.

I am, &c.
(Signed) ROBT. PASCO, *Secretary.*

Messrs. N. S. Stoïtchoff and Thos. Harrower,
48, Albemarle Street.

(No. 9.)

48, *Albemarle Street, February* 16, 1884.

Gentlemen,

We beg to acknowledge receipt of your letter of the 13th instant.

Agreeably to the desire you express therein, we have communicated its contents to our Government, and await further instructions.

We are, &c.
(Signed) N. S. STOITCHOFF.
THOS. HARROWER.

The Committee of the Board of Directors
of the Varna Railway Company,
56, New Broad Street.

No. 12.

Question asked in the House of Commons, February 29, 1884.

Mr. Dixon-Hartland,—To ask the Under-Secretary of State for Foreign Affairs whether two Delegates of the Bulgarian Government, who are at present in this country, have been in communication with Her Majesty's Government, with the view of effecting a settlement of the Varna Railway question on a basis other than that established by the Xth Article of the Treaty of Berlin:

And whether, in view of the statement made by Her Majesty's Government on the 26th July, 1883, to the effect that "Her Majesty's Government had lost no opportunity of pressing the matter on the Bulgarian Government, and that they trusted that, on the return of the Prince to Sophia, steps would be at once taken to settle the question. . . . And they have no doubt that means could be found to provide the funds required, and they believe that the Bulgarian Government, who are themselves deeply interested in the loyal execution of engagements entered into on their behalf, will see the necessity of meeting the obligation which their independent position now entails upon them," Her Majesty's Government is now prepared to urge upon the Bulgarian Government the necessity of at once fulfilling their obligations to the bond and share holders of the Varna Railway, as imposed on them by Article X of the Treaty of Berlin.

Answer.

Negotiations are now proceeding in this country between the Company and the Bulgarian Government, pending which action on the part of Her Majesty's Government is temporarily suspended.

Papers on the subject will be laid before the House.

No. 13.

Messrs. Stoïtchoff and Harrower to Lord E. Fitzmaurice.—(*Received March* 22.)

48, *Albemarle Street, March* 21, 1884.

My Lord,

AS a sequel to our previous communication of the 13th February, 1884, concerning the negotiations between the Government of Bulgaria, represented by us, and the Varna Railway Company, for the purchase of the line, we have now the honour to

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inform your Lordship that our Government has authorized us to make a final offer, which we accordingly have made yesterday, as follows:—

	Fr.
"For the purchase of the entire railway undertaking (line, rolling-stock, dependencies, material, and rights of every description), to be delivered up to the Government free from the working lease or any other encumbrance, and in good working order; the settlement of all interest claimed as due by Bulgaria up to the present, and the cession to Bulgaria of the interest due by Turkey to the Company from the 1st July, 1875, to the 3rd August, 1878; the Government of Bulgaria offers the sum of	50,000,000
"It is understood that the necessary repairs of the line and its material (rolling-stock, &c.), shall be executed by the Government of Bulgaria, and the sum estimated for those repairs, which shall be deducted from the above amount, is fixed at	1,500,000
"Leaving to be paid for the purchase the sum of	48,500,000
	Fr.
"Of this amount there will be paid in cash	6,000,000
"And in Bulgarian State bonds bearing interest at 6 per cent., issued at par	42,500,000
	48,500,000"

The details of working out this arrangement, if accepted, to be settled by a proper agreement between the Bulgarian Government and the Company. At present it is, of course, premature to enter upon such matters.

We now await the reply of the Company's representatives to this offer, and we are, &c.

(Signed) N. S. STOÏTCHOFF.
THOS. HARROWER.

No. 14.

Baron Mohrenheim to M. de Giers.—(Communicated to Earl Granville by Baron Mohrenheim, April 11.)

Londres, le 30 Mars (11 Avril), 1884.

M. le Ministre,

J'AI cru devoir prévenir télégraphiquement votre Excellence de la difficulté inattendue suscitée par M. Hirsch, auquel la Direction de la Compagnie du Chemin de Fer Varna-Roustchouk avait délégué deux de ses membres en vue d'arriver à un accord avec la Compagnie d'Exploitation sur la base, indiquée dans le temps par son chef lui-même, d'un paiement de 7 pour cent sur le capital de rachat. On espérait l'amener à une réduction de ce taux.

M. Hirsch allégua l'impossibilité où il était d'entrer dans aucun accord avant que le Gouvernement Autrichien ne fût mis en demeure de se prononcer sur l'arrangement concerté à Londres et destiné à être substitué aux stipulations comprises dans l'Article X du Traité de Berlin, d'autant plus que les Statuts de la Compagnie avaient préalablement obtenu eux-mêmes la sanction du Gouvernement Impérial.

Cette réponse produisit ici une vive surprise. M. Stoïtchoff s'en montra, entre nous, le moins étonné, prétendant qu'il n'était guère un mystère que M. Hirsch, aussi bien que ses autres congénères qui avaient pris pied dans la Principauté, n'étaient, au fond, que des agents plus ou moins dissimulés de la politique Autrichienne et, qu'à ce titre on pouvait s'attendre à les voir chaudement disputer les positions acquises, ainsi qu'il en avait déjà fait personnellement l'expérience lorsqu'il était à la tête de l'Administration des Postes.

En possession de la réponse de votre Excellence, je ne manquai pas d'en faire part à Sir Julian Pauncefote et à Lord E. Fitzmaurice, qui, tous deux, se prononcèrent dans un sens absolument identique. Lord E. Fitzmaurice me dit qu'il ne s'agissait pas de savoir ce que pouvait dire ou penser M. Hirsch, mais ce que dirait l'Autriche, derrière laquelle il s'abritait; que c'était une affaire entre eux deux, mais que le Gouvernement Anglais, lorsque son tour viendrait d'émettre un avis, ne se montrerait rien moins que disposé à reconnaître la validité de la prétention mise en avant.

Ce n'en est pas moins un incident très inopportun, car il menace d'entraîner des lenteurs inutiles au moment où l'on pouvait se flatter de l'espoir que les difficultés sérieuses avaient été aplanies, non sans effort de part et d'autre.

Veuillez, &c.
(Signé) MOHRENHEIM.

P.S.—M. Stoïtchoff vient de m'informer qu'il a, ce matin même, en exécution d'ordres reçus de Sophia, complété les propositions qu'il avait faites à la Direction, en renouvelant formellement l'offre d'une garantie sur les Douanes.

L'arrangement qui viendrait à être conclu entre les deux parties intéressées se trouvant nécessairement subordonné à l'agrément de l'Assemblée Nationale, la Direction avait exprimé le désir de connaître le délai qu'impliquait cette condition. Il lui a été répondu qu'une réunion de l'Assemblée ne pouvant avoir lieu qu'après les élections auxquelles devait donner lieu sa dissolution, ce n'est pas avant le mois d'Octobre qu'elle pourrait être saisie de cette affaire.

A cette occasion, M. Stoïtchoff m'a fait part d'une nouvelle insinuation de M. Hirsch, qui laisserait voir plus clair dans son jeu. Non content de réaliser, par l'indemnité qu'il s'adjuge, un capital qui ne se monterait pas à moins de 190,000*l.* pour rien, comme l'observait non sans raison le Délégué Bulgare, l'habile financier Autrichien avait laissé percer l'allusion que son Gouvernement trouverait probablement bon de faire dépendre son acquiescement de l'exécution préalable de la ligne internationale, incombant à la charge de la Bulgarie et dont le terme expirerait en 1886. L'abus serait évident, le Traité de Berlin n'établissant aucune subordination de ce genre entre les obligations du Gouvernement Bulgare, ni aucune préférence accordée aux uns au préjudice des autres. Il ne saurait appartenir à aucune Puissance isolée d'assigner ainsi un ordre de priorité au réglement des questions comprises dans une transaction internationale qui n'a rien statué à cet égard.

(*Ut in litteris.*)

No. 15.

Lord E. Fitzmaurice to Messrs. Stoïtchoff and Harrower.

Foreign Office, April 17, 1884.

Gentlemen,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 21st ultimo, and to thank you for having placed his Lordship in possession of the details of the final offer made by you to the Varna and Rustchuk Railway Company on behalf of the Bulgarian Government.

His Lordship delayed acknowledging your letter, thinking that he might in the meantime have heard from the Company in the matter.

I am, &c.
(Signed) EDMOND FITZMAURICE.

No. 16.

Earl Granville to Mr. R. J. Kennedy.

(No. 11. Commercial.)
(Telegraphic.) *Foreign Office, May 3, 1884, 6 P.M.*

VARNA-RUSTCHUK Railway.

If question should arise, you can state that Her Majesty's Government, while favourable to a private arrangement of the claims, never undertook to press the Bulgarian proposals on the Company, and expressed no opinion upon them.

No. 17.

Mr. Pasco to Earl Granville.—(Received May 9.)

Varna Railway Company, Offices, 56, New Broad Street, London, May 7, 1884.

My Lord,

I HAVE the honour to forward, for the information of the Secretary of State for Foreign Affairs, copies of the correspondence which has taken place between the Company, the Delegates of the Bulgarian Government, and others, in reference to the negotiations in relation to the proposed purchase of the Varna Railway by the Bulgarian Government.

These letters are in continuation of those I had the honour of forwarding in my

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letter of the 20th February last, and complete the correspondence to the present date.

I have, &c.
(Signed) ROBT. PASCO, *Secretary.*

Inclosure 1 in No. 17.

Correspondence between the Varna Railway Company, the Delegates of the Bulgarian Government, and others.

48, *Albemarle Street, March* 20, 1884.

Gentlemen,

YOUR letter of the 13th February, 1884, was transmitted to the Government of Bulgaria, as we have already informed you.

The Government has taken into consideration the observations you made upon the amended offer, which, on its part, we had made to you for the purchase of the Varna Railway.

We have not been instructed to discuss with you the various points to which you draw attention, but, as a practical reply, we are authorized to make you the following final offer, subject to the approval and ratification of the National Assembly of Bulgaria :—

	Fr.
For the purchase of the entire railway undertaking (line, rolling-stock, dependencies, material, and rights of every description), to be delivered up to the Government free from the working lease or any other encumbrance, and in good working order; the settlement of all interest claimed as due by Bulgaria up to the present, and the cession to Bulgaria of the interest due by Turkey to the Company from the 1st July, 1875, to the 3rd August, 1878: the Government of Bulgaria offers the sum of	50,000,000
It is understood that the necessary repairs of the line and the materials (rolling-stock, &c.), shall be executed by the Government of Bulgaria, and the sum estimated for those repairs, which shall be deducted from the above amount, is fixed at	1,500,000
Leaving to be paid for the purchase the sum of	48,500,000
	Fr.
Of this amount there will be paid in cash	6,000,000
And in Bulgarian State bonds, bearing interest at 6 per cent. per annum, issued at par	42,500,000
	48,500,000

The details for working out this arrangement, if accepted, will have to be settled by a proper agreement between the Bulgarian Government and the Company, which we anticipate no difficulty about; but it would of course be premature to enter upon such details until terms have been arranged for the proposed settlement.

We are, &c.
(Signed) N. S. STOÏTCHOFF.
THOS. HARROWER.

The Committee of the Board of Directors
of the Varna Railway Company,
56, New Broad Street.

Varna Railway Company, Offices, 56, *New Broad Street, London, March* 27, 1884.

Gentlemen,

At a meeting of the Board of the Varna Railway Company, held yesterday, I was instructed to acknowledge the receipt of your letter of the 20th March, containing an amended offer for the purchase of the Varna Railway.

Before entering into further details, or replying definitely to the proposals which you have been authorized by your Government to make, I am requested to ask you to be so good as to inform the Board what would be the nature of the guarantee, which you intimated at a previous interview would be given, for the punctual payment of the interest upon the Bulgarian bonds in the shape of an appropriation of Customs receipts or other sources of revenue.

2. As the offer is made subject to the approval and ratification of the National Assembly of Bulgaria, the Board will be glad to know when the meeting of this

Assembly is likely to take place, to enable them to judge of the probable delay that may arise from this requirement.

3. As the question of liberating the line from the working lease to Baron de Hirsch forms an important element in the proposed settlement, the Board will take immediate steps to ascertain by personal interview with the Baron the terms upon which this condition as to freeing the line from the Company's engagements with him can, if practicable, be effected.

Awaiting your reply to the above, I am, &c.
(Signed) ROBT. PASCO, *Secretary.*

Messrs. N. S. Stoïtchoff and Thos. Harrower,
48, Albemarle Street.

48, *Albemarle Street, March* 29, 1884.

Gentlemen,

We beg to acknowledge receipt of your letter of the 27th instant, which we have immediately communicated to our Government, and shall furnish you with the information you ask for as soon as we receive a reply to our communications.

We are, &c.
(Signed) N. S. STOÏTCHOFF.
THOS. HARROWER.

The Committee of the Board of Directors,
Varna Railway Company.

48, *Albemarle Street, April* 9, 1884.

Gentlemen,

Having consulted our Government on the subject of your letter to us of the 27th ultimo, we now proceed to reply to it.

1. As to the guarantee, we are authorized by telegram to propose the revenues of the Customs.

2. The last National Assembly having been dissolved, no further meeting can be called until after the next general election; our Government do not see, therefore, that a meeting can be held until the regular Session in October next.

We are, &c.
(Signed) N. S. STOÏTCHOFF.
THOS. HARROWER.

The Committee of the Board of Directors
of the Varna Railway Company,
56, New Broad Street.

Varna Railway Company, Offices, 56, *New Broad Street, London, April* 10, 1884.

Dear Sir,

Your letter, dated the 9th instant, addressed to Mr. Mavrogordato, was to-day laid before my Board, and having regard to the wish therein expressed, that it would be more convenient (notwithstanding that the negotiations had for some time past been pending between the Baron de Hirsch and the Committee of bond and share holders), that you should address the Council rather than the Committee, I am instructed to say that my Directors will be happy to receive from you an early communication, as you propose, confirming the arrangement completed at the meeting held in Paris on the 29th ultimo, between Messrs. Mavrogordato and Landau (members of the Committee) and Mr. Sharp, one of the Council, with reference to the terms and conditions under which your Company would be prepared to join in the Convention now proposed for the transfer of the railway and its assets from the Varna Railway Company to the Bulgarian Government.

As the matter is very pressing, I hope you will pardon my urging the subject upon your immediate attention, particularly as the Council are very solicitous that your communication should be made known to the shareholders at the general meeting to be held on Monday, the 21st instant.

Awaiting your early reply, I am, &c.
(Signed) ROBT. PASCO, *Secretary.*

M. Wiener,
Compagnie d'Exploitation des
Chemins de Fer Orientaux, Paris.

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(Translation.)

Compagnie d'Exploitation des Chemins de Fer Orientaux,
Paris, April 12, 1884.

Gentlemen,

In reply to your letter of the 10th instant, we have the honour to inform you by these presents of the intentions of our Company, in view of the agreement entered into between your good selves and the Delegates of the Bulgarian Government.

Our Company has, in this matter, considered not its own interests, which would have counselled it to keep the working of the line from Rustchuk to Varna, but solely your wishes and those of the Government of the Bulgarian Principality, and the general interest which there is to see the definitive settlement of a question which has been the subject of such prolonged negotiations on your part.

Nevertheless, before giving you a reply, it behoved our Company, by reason of its nationality, and of the importance of the decision to be taken, to consult the views of the Austro-Hungarian Government with respect to the policy itself of giving up the working.

Having been made acquainted with these views, of which the import will be shown further down, under heading No. 6, we hasten to communicate to you hereunder the conditions upon which it would be possible for us to arrive at an agreement.

Our Company accept the basis of the retrocession of its lease for working the Varna line without prejudice to a settlement, by special arrangement, of the details of the terms of this retrocession, upon the principal bases which we now indicate :—

1. We shall receive seven-hundredths of the net minimum sum of 18,500,000 fr., which latter will be paid to you by the Bulgarian Government. These seven-hundredths are to be remitted to us, partly in cash, partly in bonds ("titres") of the Bulgarian Government, proportionately to the amounts or bonds which are handed to yourselves. The remittance to us of these amounts or bonds shall take place within a fortnight of the day upon which you will have yourselves received the same from the Bulgarian Government.

2. You will within the same period pay us the amount of the five bonds, amounting together to 40,000*l.*, which you delivered to us pursuant to the contract of the 16th August, 1875. This payment to be made in cash and Bulgarian Government bonds, in the same proportion as above.

3. The bonds to be issued by the Bulgarian Government are to be guaranteed by certain revenues of the Principality, and this guarantee shall be arranged in such manner as to furnish full security to the holders of the bonds, all this being effected according to agreements which are to be submitted to the approval of our Company.

4. We wish to point out that we in nowise acknowledge the expediency of the deduction proposed to be made from the price of repurchase, for the purpose of being laid out in repairs; for the line has never been in so perfect a state of repair as at this moment, and the rolling-stock, which has constantly been the object of the greatest care, has always been adequate to the traffic, even of the most active description, which has been required of us in time of peace and in time of war. In any case, it will be well understood that no claim for money, work, or materials, or any other whatsoever, shall be made against our Company on account of the condition —at the time of the taking over of the working—of the Rustchuk Varna Railway, with its plant and rolling-stock, and in general with all its appurtenances. The payments above stipulated to be free from any encumbrances, dues, or deductions whatsoever. In the agreement as to details which is to be entered into, the necessary arrangements shall be made in order to give the Government of the Principality the assurance that the railway and its appurtenances shall, up till the moment of the working being taken over, be maintained in the same state in which they are at present.

5. Before the working is taken over, the stores and tools shall be repurchased from us on valuation by an expert, and paid for in cash by the Bulgarian Government.

6. The working of the line will be actually taken over during the month following the opening of traffic on the line joining Belgrade to Constantinople viâ Sophia and Vakarel. This stipulation, the insertion of which is demanded of us from Vienna, will not prevent the arrangements which are to be agreed upon from becoming definitive at once. During the interval which will elapse between the conclusion of these arrangements and the actual taking over of the working, our Company will continue to work and maintain the line at its own charges, but confining itself to taking upon the gross receipts 7,000 fr., as an average per kilometre and per year, without prejudice to taking upon the following years in case of a deficiency, and

paying to the Bulgarian Government the whole of the gross proceeds over and above the said annual average of 7,000 fr. per kilometre. Our Company will, however, have the right at any time to anticipate the above stipulated period, and surrender the working to the Bulgarian Government.

7. It is understood that the proposals contained in the present letter shall remain in force until the 31st December next, and shall of right become null and void should the definitive agreements not have been arranged and ratified, and should the above stipulated payments in cash and bonds not have been effected before the said date of the 31st December next.

We beg you to confirm to us that we are agreed upon the bases of arrangement above set forth, and we shall place ourselves at your disposal for the purpose of elaborating the agreement as to the details of the terms of the retrocession of the working as soon as the Bulgarian Government shall have accepted, in so far as concerns it, the proposals above enumerated.

Pray accept, &c.

(By order of the Board),
(Signed) J. WIENER, *General Secretary.*

To the Varna Railway Company, London.

Varna Railway Company, 56, New Broad Street,
London, May 2, 1884.

Dear Sirs,

The reply which I am now instructed to send to your letters of the 20th March and the 9th April, 1884, has been delayed owing to the intervention of the half-yearly meeting, at which an expression of opinion was expected as to the proposals of settlement between the Bulgarian Government and the Company. It was made manifest at the meeting that although every disposition exists on the part of the proprietors to make serious sacrifices for the sake of a prompt settlement, the amount of the last offer made by you was considered most inadequate, and a Resolution was passed fixing another meeting for the 5th June next, and charging the Board with the duty of endeavouring to present by that time a more adequate and acceptable offer. We address you, therefore, in the hope that you will find it practicable to place us in a position, at as early a date as possible, to frame a proposal which would present fair chances of being confirmed.

We need not recapitulate the arguments, or reassert in detail the claims we placed before you in our previous letters, and in verbal communications, but we feel it incumbent on us to bring prominently to your notice the following observations upon the points raised in the letters under acknowledgment :—

1. In reference to the cession to Bulgaria of the interest due by Turkey to this Company from the 1st July, 1875, to the 3rd August, 1878, the Council conceive that this claim of the Company on the Porte is entirely foreign to the sale of the line to Bulgaria, and is an obligation by the Turkish Government towards the Varna Company which originated anterior to the Treaty of Berlin, and to the establishment of Bulgaria by the Treaty as an autonomous State. The Council would therefore observe that this condition ought not to form a part of any agreement between the Company and Bulgaria, which condition was moreover abandoned by you in the second offer made to the Company.

2. With respect to the proposed deduction of 1,500,000 fr. for repairs to the line, this claim was never put forth by the Bulgarian Government since the idea of the surrender of Baron de Hirsch's lease was made a condition, and was only introduced in your late proposals; and, having regard to the remarks contained in the letter of the 12th April instant from the "Compagnie d'Exploitation," paragraph 4, copy of which I inclose, and to those in my letter of the 23rd January last, and to the excellent reports received by the Council from several independent authorities as to the state of the undertaking, the Council consider that this ought in equity and justice to be relinquished.

3. As to the admission by this Company of a settlement of all interest claimed as due by Bulgaria, I have to call your attention to the fact that, even assuming it was conceded, for the sake of arriving at an agreement on this important matter, that the past unpaid annuities are to be included in the offer made for the purchase of the line, it is evident the interest alone which has accrued on the unpaid annual guarantee from year to year remaining in the hands of the Bulgarian Government reaches a very considerable sum, which has been a direct pecuniary benefit to Bulgaria, and certainly

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in equity belongs to the holders of Varna Railway securities. This interest, calculated at 6 per cent., over the past five and three-quarter years, amounts to not less than 3,500,000 fr., which the Council feel should in any final settlement be taken into consideration by the Bulgarian Government.

The Council have hopes, looking to the sincere desire evinced by the Bulgarian Ministry and yourselves, as Delegates, to put an end to this long-pending question, that you will not hesitate to make such moderate amendments in the proposals as we have indicated, relying, as we do, firmly on the distinct official declaration on the part of the preceding as well as the present Government. We may refer more particularly to a letter of M. Vulcovitch's, dated the 3rd September, 1881, in which he says:—

"The Government of His Highness my august Master will faithfully execute all the obligations imposed on it by Article X of the Treaty of Berlin as far as concerns the rights of the Varna and Rustchuk Railway Company. The Prince's Government rests its argument, not on any question of capability to pay or otherwise, but on the question of equity and justice;" and again, in a letter of M. Balabanoff's to Mr. Lascelles of the 8th November, 1883: "Every injustice, if there has been injustice on our part, would be repaired in a manner at once equitable and definitive." Furthermore, M. Zancoff, in his letter addressed on the 23rd August, 1880, to the Minister of the British Government, says "that the guaranteed interest to which the Varna and Rustchuk Company have an incontrovertible right will then be the object of our special care."

Lastly, the Council rely on the declaration of M. Zancoff to Mr. Lascelles, "that he did not think that a difference of 2,000,000 fr. or 3,000,000 fr. would prevent a settlement being reached."

As soon as an understanding has been arrived at on the main points, the details will have to be defined for the fulfilment of the obligations, namely, the conditions and mode of payment of the annuity, the form of the securities upon the Customs, and those upon the line. This will of course be effected by an agreement being the embodiment *in extenso* of all that may be agreed.

The adjustment of the arrangement with the "Compagnie d'Exploitation" will meanwhile have the attention of the Council to endeavour to effect amendments on various points in addition to that alluded to in paragraph 6 of that Company's letter, which appear to be altogether beyond the subject-matter of the arrangement between the Company and the Government of Bulgaria, and outside any rights of the Austrian Government.

I am, &c.
(Signed) ROBT. PASCO, *Secretary.*

Messrs. N. S. Stoïtchoff and Thos. Harrower,
48, Albemarle Street.

Dear Sirs, 48, *Albemarle Street, May* 5, 1884.

We beg to acknowledge receipt of your letter of the 2nd instant, containing your reply to the final offer we made to you on behalf of our Government, by your letter of the 20th March, 1884, and by further explanatory letter of the 9th April, 1884.

We cannot refrain from expressing our regret that this final offer has not been frankly accepted, for submission to the shareholders, as we do not believe that our Government will be able to make any increase or otherwise modify the terms offered, such determination on their part having been already communicated to us.

We must now obey the positive directions we have received from our Government to return to Sophia, and can only regret the unsatisfactory way in which the matter is left. Personally we still trust that some way may be found of overcoming the remaining difficulties, although we must repeat that we can hold out no hope whatever of our Government making any further concession.

We are, &c.
(Signed) N. S. STOÏTCHOFF.
THOS. HARROWER.

The Committee of the Board of Directors
of the Varna Railway Company,
56, New Broad Street.

Varna Railway Company, 56, New Broad Street,
Gentlemen, *London, May* 7, 1884.

I am instructed to acknowledge the receipt of your letter of the 5th instant.

The Council are sorry to see that you do not find yourselves empowered to accede to the invitation suggested in my last letter to modify your offer on the points indicated therein, and that you intend to leave for Sophia forthwith. The Council regret equally with yourselves that you are leaving in an unsatisfactory state the negotiations which have so far advanced, and still hope that after your arrival at Sophia you will make such representations to your Government as may induce them to reconsider their determination as conveyed by your letter now under reply, so as to enable the Council to present to the shareholders at the meeting called for the 5th June next proposals which might be acceptable and in accordance with their just expectation.

The Council would urge upon your Government the earliest consideration of this important subject, as in the interest of the proprietors they are in duty bound to seek a prompt solution.

I am, &c.
(Signed) ROBT. PASCO, *Secretary.*

Messrs. N. S. Stoïtchoff and Thos. Harrower,
48, Albemarle Street.

No. 18.

The Earl of Dufferin to Earl Granville.—(*Received May* 10.)

(No. 89. Commercial.)
My Lord, *Constantinople, May* 5, 1884.

I HAVE now the honour to inclose, for your Lordship's information, copy of a note which I have received from the Sublime Porte, in reply to two communications from this Embassy, dated respectively the 27th December, 1883, and the 10th January, 1884, and inclosed in my despatch No. 10, Commercial, of the 12th January, 1884, relative to the claim for 140,000*l.* preferred against the Turkish Government by the Varna Railway Company.

Your Lordship will perceive that the Porte pretends that the above claim comes within the category dealt with by the Xth Clause of the Berlin Treaty. As a matter of fact, the accounts out of which this claim arose had been audited and closed, and the amount of the debt due by the Turkish Government had been formally recognized by the Porte two years before the Berlin Congress was assembled, Mr. Timoni, the Company's representative here, having been furnished by the Minister of Finance with a bond, copy of which I inclose, which indicates not only the sum owing, but the dates and modes in which it is to be paid. Your Lordship will observe that this document is dated June 1876. To contend that a debt of this description, contracted and acknowledged anterior to the existence of the Treaty of Berlin, was included in the unsettled accounts mentioned in the Xth Article of that Treaty, is of course a mere pretence, and implies a foregone determination on the part of the Porte not to liquidate its obligations.

I am sorry to say that there are several other instances in which the same obstinate resistance is being offered by this Government to the just and acknowledged demands of British subjects, who have already been brought to the verge of bankruptcy, and will undoubtedly be plunged into ruin unless I am authorized by your Lordship to resort to some stronger measures than the incessant and urgent remonstrances I have been addressing on the subject both to the Foreign Minister and to the Grand Vizier.

I have, &c.
(Signed) DUFFERIN.

Inclosure 1 in No. 18.

Assim Pasha to the Earl of Dufferin.

Sublime Porte, Ministère des Affaires Étrangères,
M. l'Ambassadeur, *le* 29 *Avril*, 1884.

LE Ministère des Affaires Étrangères a reçu en leur temps les deux notes que votre Excellence lui a fait l'honneur de lui adresser en date des 27 Décembre et

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FULLY WITHOUT PERMISSION OF

10 Janvier derniers, relativement à la somme de 140,000*l.* réclamée du Gouvernement Impérial par la Compagnie du Chemin de Fer de Varna.

Les considérations développées dans ces pièces n'ont pas amené la Sublime Porte à modifier le point de vue auquel elle s'est placée dans cette question. Un nouvel examen l'a confirmée dans la conviction que la réclamation de la Compagnie du Chemin de Fer de Varna tombe sous l'application de l'Article X du Traité de Berlin. En effet, le titre ("Ilmi-Haber") délivré par le Ministère des Finances à Mr. Michel Timoni, représentant de la dite Compagnie, porte expressément que le payement de la somme y mentionnée serait effectué sans préjudice de l'entente à intervenir pour le réglement des comptes se trouvant en contestation entre le Gouvernement et la Compagnie. Cette condition établit d'une manière évidente que non seulement la créance dont il s'agit n'était pas liquidée au moment où le Malié délivrait son "Ilmi-Haber," mais que tout au contraire elle figurait dès cette époque au nombre de celles dont le Traité de Berlin a subordonné plus tard la régularisation à une entente entre la Sublime Porte, la Principauté de Bulgarie, et l'Administration de la Compagnie. Pour ce qui est de la phrase de la communication de mon Département en date du 18 Août, 1881, relative aux ordres donnés au Ministère des Finances en vue de la régularisation au moyen de délégations des créances des sujets Anglais dans la catégorie desquelles l'Ambassadeur de Sa Majesté Britannique croit pouvoir placer les sommes réclamées par la Compagnie du Chemin de Fer de Varna, je me permettrai de faire observer à votre Excellence que les dites créances et celles de la Compagnie étant de nature et de forme essentiellement différentes ne sauraient avoir aucun rapport entre elles et ne peuvent par conséquent être classées dans la même catégorie. Cela est d'autant plus vrai qu'avant le réglement de comptes susvisé, le Malié ne pourrait savoir à qui reviennent les sommes contestées, et qu'en refusant de délivrer des "havalés" de ce chef, le Département des Finances a prouvé en fait qu'il n'avait jamais admis la manière de voir que la note à laquelle j'ai l'honneur de répondre lui attribue. Il résulte de tout ce qui précède que le Gouvernement Impérial n'a jamais pris et ne pouvait prendre aucun engagement particulier au sujet du payement des 140,000*l.* réclamées par la Compagnie susmentionnée et qui rentrent indubitablement dans la catégorie des comptes de cette Société, dont le réglement est prévu par l'Article X du Traité de Berlin.

J'aime à espérer que votre Excellence, dans son appréciation éclairée et dans ses sentiments de haute impartialité, voudra bien reconnaître la justesse des considérations qui précèdent et répondre dans le même sens à la Compagnie réclamante.

Veuillez, &c.
(Signé) M. ASSIM.

Inclosure 2 in No. 18.

Bond dated June 1876.

(Traduction.)

SUR la demande faite au Grand Vizir par le Ministre des Finances relativement à la Compagnie du Chemin de Fer de Varna, il a été répondu en dessous que, vu la correspondance échangée, et selon le relevé et contenu des registres du Ministère, entre la Compagnie et la garantie due par le Gouvernement, et afin d'être réglé selon le résumé des comptes, commençant le 1er Juillet, 1874, et finissant le 30 Juin, 1875, le solde d'une année de garantie, s'élevant à 140,000*l.*, sera payé à fur et à mesure. Le premier payement mensuel est arrêté à commencer le 16 (28) Mai, 1876, par la somme de 12,000*l.* chaque mois; selon la règle et coutume antérieures, par le Ministère des Finances, pour être payé à la dite Compagnie et pour cela, sur un ordre Viziriel, nous avons remis le présent "Ilmi Khaber" à son représentant, Mr. Michel Timoni.

2 *Khaziran*, 1292 (*Juin* 1876).

No. 19.

Earl Granville to the Earl of Dufferin.

(No. 64. Commercial.)

Foreign Office, May 17, 1884.

My Lord,

I HAVE to inform your Excellency that I approve your action, as reported in your despatch No. 89, Commercial, of the 5th instant, respecting the subsidy due to

the Varna Railway Company for the year ended the 30th June, 1874, and I authorize your Excellency to state very plainly that Her Majesty's Government have no intention whatever of abandoning so clear a claim, and will continue to insist on its satisfaction.

I am, &c.
(Signed) GRANVILLE.

No. 20.

Mr. Pasco to Earl Granville.—(Received May 22.)

Varna Railway Company, Offices, 56, New Broad Street, London, May 21, 1884

My Lord,

I AM instructed by the Council of the Varna Railway to address your Lordship on the present position of the Company in its relation to the Bulgarian Government.

Your Lordship is aware that for the past five months negotiations have been going on between this Company and the Bulgarian Delegates for the sale of the line and undertaking to that Government, and copies of all the correspondence have been forwarded to the Foreign Office for your Lordship's information.

Without entering into details, it is sufficient at the present time to mention the last stage of these negotiations. On the 20th March the Delegates made their final offer, which was replied to by the Council in my letter of the 2nd May, wherein I pointed out that two conditions attached to the above offer ought, in the opinion of the Council, to be relinquished: the first being the abandonment in favour of Bulgaria of this Company's claim on the Turkish Government for arrears of unpaid interest between July 1875 and August 1878, prior to the Treaty of Berlin; the second being a claim of 1,500,000 fr. for the restoration of the line, being, in fact, simply a deduction from their offer of that amount.

Lastly, I pointed out that, even for the sake of a settlement, the proprietors of the Varna line assented to waive their claim against Bulgaria for the unpaid guarantee for the past six years, amounting to above 800,000*l.*, they were at least equitably entitled to interest on those unpaid securities, which reached the considerable sum of 3,500,000 fr.

To this the Delegates replied, on the 5th May, that they would return to Sophia, believing that the Bulgarian Government would not increase or modify the terms last offered, and that they could hold out no hope of their Government making any further concession, but personally expressing a desire that some way might be found of overcoming the remaining difficulties.

At the last general meeting of the proprietors it was decided to hold another meeting on the 5th June, when it was hoped and expected that some adequate and acceptable offer from Bulgaria might be presented by the Council for the consideration and approval of the shareholders.

In these circumstances I am requested to solicit your Lordship's kind and prompt assistance, and that you may be pleased to recommend and urge upon the Bulgarian Government to modify their offer in the sense indicated in my letter of the 2nd May, which might thus lead to a settlement of this troublesome question, to obtain which the proprietors of this railway would then undoubtedly have made enormous sacrifices of their just rights under the Treaty of Berlin.

The Council trust also that your Lordship will at the same time urge upon the Bulgarian Ministers to consider and act upon the advice and recommendation you may offer, bearing in mind that the only alternative in the event of an agreement not being immediately concluded will be to recur to the provisions of the Treaty of Berlin, and proceed with the arbitration as in substance agreed upon.

As the meeting of shareholders is called for the 5th June, the Council would esteem it a special favour if your Lordship would be so good as to take the earliest possible action in this matter, with the view of obtaining, if practicable, some prompt response from the Bulgarian Government in time for submission to the meeting.

I have, &c.
(Signed) ROBT. PASCO, *Secretary.*

F.O. 424
PUBLIC RECORD OFFICE, LONDON
ALLY WITHOUT

No. 21.

Draft of proposed Agreement handed to the Bulgarian Delegates.—(Communicated by Mr. Lascelles, May 25.)

An Agreement made the day of , 1884, between the Varna Railway Company, established and incorporated, under the authority of His Imperial Majesty the Sultan, by Statutes approved and authorized at Constantinople the 31st December, 1863, and hereinafter called the "Company," of the one part; and the Government of the Principality of Bulgaria, hereinafter called the "Government," by the Delegates, Messrs. N. S. Stoltcheff and Thomas Harrower, now residing at No. 48, Albemarle Street, London, of the other part.

IT is agreed as follows:—

1. The Company will sell and surrender to the Government, and they shall take over, the Rustchuk-Varna Railway, with all its stations, works, and appurtenances, and all the rolling-stock, plant, and material, belonging to the Company, and used or acquired for the purposes of the said railway, together with the original and supplementary Concessions under which the said railway has been constructed and worked, and the full benefit thereof, and generally the entire undertaking, property, rights, and credits of the Company, save only the matters hereinafter specially excepted.

2. The sale and surrender include all the Company's rights and claims against the Imperial Ottoman Government for arrears of guaranteed interest under the said concessions, for the period from July 1875 to August 1878, the date from which, under Article X of the Treaty of Berlin, Bulgaria was substituted for the Imperial Ottoman Government in its duties and obligations towards the Company, and the arrangement of which was, by the said Treaty, left to an agreement between the Sublime Porte, the Government of the Principality, and the Company, and shall also include all rights and claims on the part of the Company against the Government in respect of interest from and after that date, and in respect of all other the duties and obligations of the Government towards the Company under the aforesaid Concessions.

3. The sale and surrender shall not include the furniture or effects of the Company at their London office or their offices in Bulgaria, nor any ready money or banker's balance in hand, nor consumable stores or tools belonging to the Company, and used or acquired for use in connection with the railway, nor the sum due to the Company from the Turkish Government for the year ending the 30th June, 1875, and arranged by the Government to be paid in bavalés, not yet delivered.

4. In order that the sale and surrender may take effect freed and discharged from the lease or agreement under which the railway is now being worked by Baron Hirsch, in the "Compagnie d'Exploitation des Chemins de Fer Orientaux," the Company will, at their own expense, either procure the said lease or agreement to be duly released or surrendered at or before the time hereby appointed for delivery of the railway to the Government, or otherwise will procure a binding agreement to be entered into by the "Compagnie d'Exploitation" aforesaid so to release or surrender the same at or before the time aforesaid. Such an agreement, if entered into, shall be accepted by the Government as equivalent to an actual surrender or release, but no such agreement shall impose or purport to impose any terms, conditions, or liabilities on the Government; and the Company will duly observe and perform all the terms of such agreement on their part.

5. The Company will use their best endeavours forthwith to arrange with the "Compagnie d'Exploitation" aforesaid terms for the release or surrender of the said lease or agreement; but, if they shall be unable to arrange terms, the Company may, not later than the of , 1884, give the Government notice in writing of such inability, and immediately thereupon the present Agreement shall be wholly void.

6. The railway, with the rolling-stock, works, and appurtenances connected therewith, shall be delivered over to the Government on the of , 188 , provided that the present Agreement by that time shall have been sanctioned and confirmed as hereinafter provided. The same shall be so delivered in good working order, and to that end the Company will, in the meantime, execute such works of repair (if any) as may be requisite. Nevertheless the Company shall have the option (to be declared by them, in writing, to the Government on or before the day of , 188) of delivering the railway to the Government without executing

any works of repair (should such be required), on the terms of submitting to a deduction of 1,500,000 fr. from the purchase-money of 50,000,000 fr. hereinafter mentioned; such deduction to be made exclusively from that portion of the said purchase-money which is to be paid in bonds.

7. The price or consideration to be paid by the Government for the aforesaid sale and surrender shall be 50,000,000 fr., payable as follows: 6,000,000 fr. in cash on delivery of the railway, and 44,000,000 fr. in bonds ("titres") of the Government, carrying interest at the rate of 6 per cent. per annum, and to be paid as against the aforesaid purchase-money at 97½ per cent. of the nominal amount thereof. But the Company shall have the option (to be declared, in writing, to the Government before the day of , 18) of requiring all or any part of the said sum of 44,000,000 fr. to be satisfied by the issue of obligations or securities of the Government for payment of annuities of the same amount as the interest on the bonds would otherwise be issued in respect thereof, and in that case bonds as aforesaid shall only be issued to satisfy the residue of the said sum of 44,000,000 fr.

8. The interest on the bonds aforesaid and the annuities aforesaid shall be payable half-yearly, on the 1st January and the 1st July in every year, and shall be deemed to run from the 1st January, 1884. The half-yearly payments accruing previously to the time appointed for delivery of the railway shall be paid in cash, along with so much of the purchase-money as is made payable in cash.

9. The Government shall take the consumable stores and loose tools belonging to the Company or the "Compagnie d'Exploitation" aforesaid, used or acquired for use on or in connection with the railway as existing at the date of the delivery of the railway to the Government, and shall pay for the same in cash according to a valuation by an expert or experts; such cash payment to be in addition to the other payments herein provided for.

10. From and after the time when the Agreement shall become finally binding on the Company and the Government respectively, the present capital of the Company in bonds and in shares shall be reduced in nominal value, as follows:—

The nominal amount of each of the 132,580 3*l.* per cent. obligations of 20*l.* each, and of each of the 16,582 6*l.* per cent. obligations, shall be reduced to the sum of 10*l.*

And the nominal amount of each of the 44,687 paid-up shares of 20*l.* each shall be reduced to the sum of 8*l.* 10*s.*

The Company will cause all proper steps and proceedings to be taken for carrying into effect such reduction of nominal capital, and the bonds and obligations of the Company and the share certificates thereon shall be stamped so as to mark or denote on the face thereof the aforesaid reduction of capital.

11. The bonds and annuities to be issued by the Government as aforesaid shall be to bearer. The bonds shall be of the nominal amount of 2,500 fr. or 100*l.* each, and the certificates or securities for the annuities shall be for annual sums of 150 fr. or 6*l.* each, and in each case coupons shall be attached for the half-yearly payments of interest on the bond or the half-yearly payments of the annuity, and a fresh supply of coupons shall from time to time be provided and annexed to the bond or certificate when the original or previous supply is exhausted.

12. The bonds and annuities aforesaid shall be a distinct issue, independent of any other bonds, stocks, or securities of the Government, and by way of special security for the due payment of the principal and interest of the bonds and the half-yearly payments of the annuities the Government give and assign the customs duties accruing on and from the of , 188 , of the following Bulgarian ports:—

and hereby agree and declare that the said bonds and annuities shall be and remain the first charge upon the said duties, and they, the Government, will cause and procure the collection of customs of each of the said ports on the 1st day of , 18 , and on the 1st day of every calendar month thereafter to pay into the Bank of at Sophia, to the credit of a special account, in the joint names of the Government and of a delegate to be from time to time nominated by the Company, the full amount of the customs duties collected during the preceding month, but so that when from time to time the amount thus paid in shall equal the amount of the coupons for the next half-yearly payment of interest and annuities, the payment of the customs duties into the bank as aforesaid may from time to time be suspended for the remainder of the current half-year, but shall be resumed on the 1st day of February or the 1st day of August (as the case may be) next following.

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13. With or from the moneys so paid in to the said bank, supplemented, if necessary, by sufficient further moneys to be provided by the Government, there shall from time to time be remitted to the bankers of the Company in London sufficient moneys to meet or provide in sterling money, at the rate of 25 fr. per £ sterling, for the half-yearly coupons aforesaid, and such remittances shall be in London at least one month before the coupons in each case fall due.

14. Without prejudice to the payment in manner aforesaid of the half-yearly coupons, the Government will set apart and apply a separate and distinct sum of fr. annually in or towards redemption of the aforesaid bonds or obligations of the Company as reduced in manner aforesaid. And then (but only after all the bonds or obligations shall have been redeemed) in or towards redemption of the shares in the Company reduced as aforesaid to the nominal amount of 8*l.* 10*s.* each, such redemption shall be effected from time to time at the option of the Government, either by purchase in the market or by annual drawings to be held in the month of November in each year, commencing with the year 188 , of bonds or obligations (and subsequently of shares) to be paid off at par value of the aforesaid reduced nominal amount thereof respectively, on the 1st day of January then next, and the Government shall duly apply the full sum of fr. annually for and towards such redemption as aforesaid.

15. In every case in which the redemption is effected by purchase, the purchased bonds or obligations or shares shall be presented by the Government at the office of the Company, and cancelled there on or before the 1st January next following the purchase thereof, and the numbers of the bonds or obligations or shares so cancelled shall immediately afterwards be advertised, at the expense of the Government, in two London daily newspapers.

16. In every case in which the redemption shall be effected by drawing, the drawing shall be by notary public charged in that behalf on the invitation of the Government through their London agents, and shall take place in London in the presence of the agent of the Government and of an officer or nominee of the Company. The numbers of the bonds, obligations, or shares drawn in each case shall forthwith be advertised, at the expense of the Government, in two London daily newspapers, and before or immediately after the drawing, the redemption money for the bonds, obligations, or shares drawn shall be deposited by the Government with the Company for the purpose of being applied in paying off the drawn bonds and obligations or shares on presentation to the Company on or before the 1st January next after the drawing, and the same shall be applied accordingly.

All interest or dividends on the drawn bonds, obligations, or shares shall cease on and from such 1st day of January.

17. In case the Government shall make default in providing, in manner aforesaid, on or before the day on which the same respectively fall due, or, at the latest, within one calendar month afterwards, that Company shall (if they think fit so to require) be reinstated in possession of their railway and undertaking and property, and of all the rights and powers hereby agreed to be sold or surrendered, and the aforesaid Concessions, and all rights and obligations thereunder, shall thenceforth, immediately upon the Company so requiring to be reinstated, stand and be revived as between the Government and the Company, but without prejudice to any acts done or payments made in the meantime under this Agreement.

18. This Agreement is entered into subject to the approval of Her Britannic Majesty's Principal Secretary of State for Foreign Affairs being obtained thereto within after the date thereof. The Company will apply for and endeavour to obtain such approval, and in case the same be obtained, this Agreement shall forthwith be duly notified or communicated by the Company and the Government respectively to the Powers Signatories to the Treaty of Berlin, as an arrangement made in a matter provided for in the Treaty.

19. This Agreement is also subject to the sanction being obtained thereto of, on the one hand, the Bulgarian Chamber in their Session next after the elections appointed for the 8th June, 1884, and, on the other hand, of a general meeting of the Company. The Government will duly bring forward and support this Agreement before the Bulgarian Chamber, and the Council of the Company, on their part, will duly convene a special general meeting of the Company for the purpose of obtaining, and will endeavour to obtain, their sanction to this Agreement. If the sanction of both the Bulgarian Chamber and the Company in general meeting to this Agreement be not obtained before the 1st January, 1885, then this Agreement shall be absolutely void.

20. Any and every dispute and difference touching these presents, or the construction thereof, or any clause or thing herein contained, or the rights, duties, or liabilities of either party under or by virtue of these presents, shall be referred to and settled by the arbitration of some person to be appointed by the President for the time being of the Incorporated Law Society of the United Kingdom, and the arbitration shall, if the Company so desire, take place in London. The Arbitrator in every case shall have jurisdiction over the costs of the arbitration and of the award thereon.

Lastly, this Agreement, and the several clauses and provisions herein contained, and the rights and liabilities thereunder, shall be construed, and effect shall be given thereto, according to the law of England.

In witness, &c.

No. 22.

Earl Granville to Mr. R. J. Kennedy.

(No. 12. Commercial.)
(Telegraphic.)

Foreign Office, May 30, 1884, 2 P.M.

VARNA Railway.

We are privately informed that if Bulgarian Government will agree to the proposal of the Company that the bonds shall be taken at 97½, a settlement is probable.

Without in any way compromising Her Majesty's Government, who will not depart from their previous policy of not interfering in the terms of the settlement, you might intimate to Zancoff privately that the point of difference appears to be so small that Her Majesty's Government would strongly advise acceptance of above proposal.

No. 23.

Mr. Pasco to Earl Granville.—(*Received May* 31.)

Varna Railway Company, Offices, 56, New Broad Street, London, May 30, 1884.

My Lord,

IN continuation of the communication which I had the honour to make to your Lordship on the 21st instant, I am now requested to forward copy of a telegram sent to M. Zancoff, the Bulgarian Minister.

Might I ask your Lordship to be so obliging as to instruct by telegram Her Britannic Majesty's Representative at Sophia to urgently press the matter on the immediate attention of the Bulgarian Government, so that the Council may be in a position, at the approaching special general meeting of the shareholders on the 5th June next, to come to some certain and definite information with regard to the intentions of the Bulgarian Government.

I have, &c.
(Signed) ROBT. PASCO, *Secretary.*

Inclosure in No. 23.

Mr. Pasco to M. Zancoff.

London, May 29, 1884.

(Telegraphic.)

VARNA Board will gladly receive, for submission to shareholders' meeting, any amended offer Bulgarian Government may desire to make.

No. 24.

Mr. R. J. Kennedy to Earl Granville.—(Received June 1, 10:30 A.M.)

(Telegraphic.) *Sophia, June 1, 1884, 8·10 A.M.*

VARNA Railway: your telegram of 30th ultimo.

Prime Minister sincerely desires a settlement. Bulgarian Government adhere to their last proposal, but if a reasonable counter-proposal be formally made by the Board of Directors to Bulgarian Delegates here, it will be entertained.

No. 25.

Lord E. Fitzmaurice to Mr. Pasco.

Foreign Office, June 2, 1884.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 30th ultimo, and to state to you, in reply, that prior to the receipt thereof his Lordship had already instructed Mr. Kennedy, Her Majesty's Acting Agent and Consul-General at Sophia, by telegram to take such steps as were considered proper under the circumstances, with a view to bringing about a satisfactory settlement of the points now at issue between the Company and the Bulgarian Government.

Lord Granville has this day received a telegraphic communication from Mr. Kennedy to the effect that the Prime Minister, while sincerely desirous of effecting a settlement, states that the Bulgarian Government adhere to their last proposal, but that if a reasonable counter-proposal be formally made by the Board of Directors to the Bulgarian Delegates at Sophia, it will be entertained.

I am, &c.

(Signed) EDMOND FITZMAURICE.

No. 26.

Mr. R. J. Kennedy to Earl Granville.—(Received June 7.)

(No. 18. Commercial. Confidential.)

Sophia, May 25, 1884.

My Lord,

ALTHOUGH I am aware that the private negotiations which are being carried on between the Bulgarian Government and the Varna-Rustchuk Railway Company with a view to the purchase by the former of the line should not form the subject of an official correspondence, I think that I ought not to omit informing your Lordship of the irritation felt by the Government of the Principality at a stipulation put forward by Baron Hirsch in his published correspondence with the Company, to the effect that "in accordance with a demand made from Vienna, the working of the line will be actually taken over during the month following the opening of traffic on the line joining Belgrade to Constantinople viâ Sophia and Vakarel."

M. Zankow so strongly resents what he considers to be an unfair and uncalled-for pressure put upon Bulgaria by Austria in this matter, that he states his Government will not ask the Chamber to vote any money for the construction of the Sophia-Vakarel line until the Varna-Rustchuk Railway question is settled. He is strengthened in this determination by the fact that, in his opinion, both Servia and Turkey view the construction of the former line with comparative indifference, and that Bulgaria can fulfil all that can be expected of her by Europe if she effects a junction of the Constantinople-Philippopoli line with the Roumanian railway system through Yamboli and Sistova.

His Excellency does not seem to think that this attempt to evade the provisions of the "Convention à Quatre," to the execution of which Bulgaria stands solemnly pledged, would in any way cast discredit upon her.

It is possible that this declared intention on the part of M. Zankow, which he mentioned to me some days ago, and to which he is now giving expression in the public press, may be merely a manœuvre for election purposes, but it is, nevertheless, I venture to think, of sufficient importance to bring to your Lordship's notice.

I have, &c.

(Signed) ROBT. J. KENNEDY.

No. 27.

Mr. R. J. Kennedy to Earl Granville.—(Received June 10.)

(No. 19. Commercial. Confidential.)

Sophia, June 3, 1884.

My Lord,

I HAVE the honour to state that, in pursuance of the authorization conveyed to me in your Lordship's telegram of the 30th ultimo, I took an opportunity of speaking to M. Zancoff on the subject of the private negotiations pending between the Bulgarian Government and the Varna-Rustchuk Railway Company.

His Excellency repeated what he had told me on a previous occasion, that he is most anxious to settle this question, but that his Government had made the best offer they can for the purchase of the line, and that he feared, in view of the tactics which are being pursued by the political parties out of power, that it will be difficult to induce the Chamber to give its assent even to the proposal which the Government has already made, to which, however, they still adhere, but beyond which they cannot possibly advance. His Excellency added, as a proof of his desire to come to a final arrangement, that he is fully determined, as I have already reported to your Lordship in my despatch No. 18 of the 25th ultimo, not to propose any money vote for any railway purposes to the Chamber before he obtains the necessary grant for the purchase of the Varna-Rustchuk line.

I told his Excellency that it would be much to be regretted if the negotiations which had with great difficulty and with the expenditure of much labour and money on both sides been almost brought to a successful termination should now fall through in consequence of a difference about a few thousand pounds, and that in order to overcome the difficulty a suggestion had now been put forward by the other side that the Government 6 per cent. bonds which are to be given in part payment of the purchase-money should be issued, not at par, but at 97½. This was a proposal, I said, which had been brought privately to your Lordship's notice, and although Her Majesty's Government maintained their determination not to interfere in the terms of the settlement, I was in a position, in a friendly and unofficial manner, strongly to recommend its acceptance.

His Excellency's reply was to the effect that now, for the first time, something like a definite proposal had come from the Railway Company. Hitherto the Bulgarian Government had been called upon to advance upon each of their previous offers, without knowing to what length they might be dragged. It would be difficult to defend such a line of action before a Chamber of Deputies who view the acquisition and construction of railways by the State with an indifference only equalled by their reluctance to part with their money; but if the Directors of the Varna Railway would now put their suggestion in the form of a definite counter-proposal it would be taken into consideration, and he himself would do all in his power to bridge over the difference between the negotiating parties.

At M. Zancoff's suggestion I spoke to M. Stoïtchoff, one of the Bulgarian Delegates. From him I learnt the unfavourable nature of the reply which, on the previous day, he and his colleague had sent to an inquiry as to whether a slight advance could not be made on the last Bulgarian proposal.

M. Stoïtchoff was far more tenacious of the position which the Government had taken up than M. Zancoff, and, although he expressed the greatest desire to come to terms, he declared that for foreign as well as for internal political reasons, into which he entered at some length, it would be quite impossible for Bulgaria to accede to the latest suggestion from the other side. I repeated to him the substance of my conversation with M. Zancoff, and I begged him to be so good as to have an interview with his Excellency. To this he consented, and at its conclusion he returned and stated that there would be no objection to my informing your Lordship by telegraph that if a reasonable counter-proposal should be formally made by the Board of Directors to the Bulgarian Delegates here, it would be entertained.

Although this is but a slight concession on the part of the Bulgarian Government, it will, I trust, at least have the effect of preventing an immediate rupture of the private negotiations which are being carried on between the two contending parties.

I have, &c.

(Signed) ROBT. J. KENNEDY.

No. 28.

Mr. Wollaston Blake to Mr. Lister.—(Received June 18.)

8, *Devonshire Place, June* 18, 1884.

Dear Mr. Lister,

THANK you for your letter of yesterday, and I now send you, as requested, the names of the three gentlemen who have been appointed by the shareholders of the Varna Railway as delegates to proceed to Sophia, passing through Paris and Vienna.

They will be much obliged by receiving letters of introduction to Her Britannic Majesty's Ministers at the above three places.

I do not know how far it is the custom of the Foreign Office, in letters of this description, to enter into any details of the mission of the said delegates, but I may add that these gentlemen are charged with the mission of going to Sophia to settle the terms of sale of the Varna Railway to the Bulgarian Government, subject to the ratification of the shareholders, and that in case of need they would be glad to receive such assistance from Her Majesty's Ministers as can be properly afforded. I shall be much obliged if these letters can be forwarded by to-morrow (Thursday) evening, or by 3 or 4 o'clock, if possible, addressed to Mr. H. H. Smith, the Secretary to the above delegates, at the offices of M. E. A. Mavrogordato, 19, Bishopsgate Street Within, E.C.

Yours, &c.
(Signed) H. WOLLASTON BLAKE.

P.S.—Emanuel Antonio Mavrogordato, Esq., 19, Bishopsgate Street Within, E.C.; Parásquera Secchiari, Esq., Adam's Court, E.C.; Hermann Landau, Esq., 4, Copthall Court, E.C.

No. 29.

Earl Granville to Mr. R. J. Kennedy.

(No. 14. Commercial.)

Foreign Office, June 19, 1884.

Sir,

I TRANSMIT to you herewith, for your information and guidance, copy of a letter which I have caused to be addressed to Mr. Blake, the Chairman of the Varna Railway Company,* in reply to his request that M. Mavrogordato, M. Secchiari, and M. Hermann Landau, who are proceeding to Sophia as delegates of that Company, should be furnished with letters to Her Majesty's Representatives at Paris, Vienna, and Sophia, specially recommending them to their Excellencies and yourself.

You will observe that I have supplied these gentlemen with a letter of introduction couched in the usual terms, and addressed to you only.

I am, &c.
(Signed) GRANVILLE.

No. 30.

Lord E. Fitzmaurice to Mr. R. J. Kennedy.

(Commercial.)

Foreign Office, June 19, 1884.

Sir,

THIS letter will be presented to you by M. Emanuel Mavrogordato, M. Parasquera Secchiari, and M. Hermann Landau, who are proceeding to Sophia on business connected with the affairs of the Varna Railway Company, of which they are the delegates.

I have to request that you will render these gentlemen such assistance as you properly can, subject to the conditions laid down in the Circular from this Office dated the 8th March, 1881.

I am, &c.
(Signed) EDMOND FITZMAURICE.

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* No. 31.

No. 31.

Lord E. Fitzmaurice to Mr. Wollaston Blake.

Foreign Office, June 19, 1884.

Sir,

IN reply to your letter to Mr. Lister of the 18th instant, I am directed by Earl Granville to inform you that he has given the usual letter of introduction to Her Majesty's Representative at Sophia in favour of the three gentlemen named in your letter, who are proceeding to that place as delegates of the Varna Railway Company.

I am further to state that it would be contrary to the practice of this Office to give any additional or special recommendations in the case of gentlemen who have no mission or authority from Her Majesty's Government.

I am, &c.
(Signed) EDMOND FITZMAURICE.

No. 32.

M. Mavrogordato to Lord E. Fitzmaurice.—(Received June 21.)

Varna-Rustchuk Railway Company Delegation,
19, *Bishopsgate Street Within, London, June* 20, 1884.

My Lord,

MR. BLAKE handed me the letter of introduction and recommendation to Her Majesty's Representative at Sophia in favour of my colleagues and myself with reference to our mission for the settlement of the Varna Railway question.

We have presented a request for a similar letter of introduction to Her Majesty's Ambassador at Vienna, and I beg leave to explain the object of our application, in the hope that it may induce you to grant it.

The Varna Railway, being now held under lease by the "Société d'Exploitation," an Austrian Company, of which the Baron de Hirsch is head, it would have considerable effect on the action of the latter if the British Ambassador were to obtain from the Austrian Government the expression of a favourable opinion as to the immediate surrender of the lease which the Bulgarians demand. We have reason to believe that the Austrian Government is disposed to fall in with the views of Bulgaria in this respect, as they are most anxious Bulgaria should fulfil her engagements with regard to the international lines.

Inasmuch as the success of our mission will relieve Her Majesty's Government of a very troublesome matter, I hope that your Lordship will find it possible to accede to our request.

I will call at the Foreign Office between 3 and 4 o'clock to-morrow, Saturday, for your reply, as I am desirous of leaving London by to-morrow night's mail.

I am, &c.
(Signed) E. A. MAVROGORDATO.

No. 33.

Earl Granville to Sir A. Paget.

(No. 16. Commercial.)

Foreign Office, June 21, 1884.

Sir,

APPLICATION was lately made to me for a letter of introduction to your Excellency in favour of Messrs. E. A. Mavrogordato, P. Secchiari, and H. Landau, who are proceeding viâ Vienna to Sophia as delegates of the Varna Railway Company, with an instruction to use your good offices on their behalf. It was explained, in reply, that, under the circumstances of the case, this request could not be complied with. I now transmit a copy of a further letter from M. Mavrogordato,* in which he states the object in view in asking for your Excellency's assistance. I also inclose a copy of the reply returned to this communication.†

I leave to your Excellency's discretion to decide what action you can properly take in the matter in the event of these gentlemen applying to you when at Vienna. You will bear in mind, however, that it is believed that they are very anxious to try to obtain in some form the authority or sanction of Government to their mission, or

* No. 32. † No. 34.

at least the appearance of it. You should therefore avoid saying anything which could be used indirectly with that object.

I am, &c.
(Signed) GRANVILLE.

No. 34.

Lord E. Fitzmaurice to M. Mavrogordato.

Foreign Office, June 21, 1884.

Sir,

IN reply to your letter of yesterday, I am directed by Earl Granville to inform you that, while unable to comply with the request contained in it, a copy will be sent by post to-day to Her Majesty's Ambassador at Vienna, and that if, when at that capital, you and the other Delegates of the Varna Railway Company like to call on his Excellency, he will receive you.

It is to be understood, however, that the authority of Her Majesty's Government cannot be invoked in any manner in connection with the journey of the Delegates to Vienna or Sophia.

I am, &c.
(Signed) EDMOND FITZMAURICE.

No. 35.

Mr. R. J. Kennedy to Earl Granville.—(Received June 24.)

(No. 20. Commercial.)

Sophia, June 16, 1884.

My Lord,

WITH reference to my despatch No. 18, Confidential, Commercial, of the 25th ultimo, and to previous correspondence on the subject of the Varna Railway, I have the honour to report that M. Stoïtchoff and M. Yongovitch—the latter an engineer attached to the Ministry of Public Works—have been named respectively 1st and 2nd Commissioners for the purpose of superintending and controlling, in the interests of the Bulgarian Government, the working of and all the existing arrangements connected with the Varna-Rustchuk Railway.

These gentlemen have, I understand, been appointed under the provisions of a clause to this effect in the "Cahier des Charges" drawn up between Baron Hirsch and the Ottoman Government at the time of the construction of the railway, but this is the first occasion on which they have been put into execution.

I have, &c.
(Signed) ROBT. J. KENNEDY.

No. 36.

Mr. R. J. Kennedy to Earl Granville.—(Received June 26.)

(No. 21. Commercial.)

Sophia, June 20, 1884.

My Lord,

WITH reference to my immediately preceding Commercial despatch, I have the honour of inclosing translation of a Report addressed to the Prince of Bulgaria by the Minister of Public Works, showing the necessity of appointing Government Commissioners to superintend the working of the Varna-Rustchuk Railway, together with translation of a Decree nominating M. Stoïtchoff and M. Yongovitch in the above-named capacity.

I have, &c.
(Signed) ROBT. J. KENNEDY

Inclosure 1 in No. 36.

Report addressed to the Prince of Bulgaria.

(Translation.)

AT the time of the transfer to the Bulgarian Principality of the Varna-Rustchuk Railway certain well-known obligations, with the settlement of which it has been constantly occupied, were laid upon the country; but there are also certain indisputable rights which it has at the same time acquired.

The Bulgarian Government enjoys the right of controlling, by means of special officials attached to the Company, the working of and all the current accounts connected with the Varna Railway, a right which is enjoyed by other Governments over the lines in their respective States.

In virtue of the 84th Article of the original Concession the Government of this country possesses this right, and all the privileges and duties of the Commissioners are defined by a Règlement. Up to 1877 the Ottoman Government had one Commissioner, but during and since the war the right of appointment was allowed to fall into abeyance, partly on account of the confusion incidental to a state of war, and partly on account of the uncertain nature of the relations between the Government of the Principality, the Varna-Rustchuk Railway, and the "Compagnie d'Exploitation des Chemins de Fer de la Turquie d'Europe."

Before exercising their above-mentioned right, the Bulgarian Government wished to determine their limits, as well as those of the obligations flowing from the original Concession, but up to the present moment this has not been done. Meanwhile, on the one hand, Bulgarian pecuniary obligations with regard to the line were increasing, and, on the other hand, the line was being worked without any regard to Bulgarian rights and interests. No attention was paid to the wishes and demands of the Government by the working Company, because no one was authorized to represent their interests. The Company paid but little attention to the state of the line, owing to there being no one in a position to remind them of their duties in this respect. The line became, therefore, a mere burden upon the State, and of no use to the country or the people.

The survey and control of the administration of the line, of which Bulgaria is obliged to support the financial obligations, have been at all times of great importance; but at the present moment, when arrangements are in view for its purchase, and, therefore, for the substitution of another in place of the present working Company, they become of even greater importance.

As, therefore, it is to Bulgaria's interest not only to maintain the line and the materials in good order, but also to know everything in connection with the railway, to study and to fix what may be required of the Company, and to point out what it has neglected to do, the Government must make preparations so as to be able to speak and to act with full knowledge. In view of this great necessity, I, in common with my colleagues, am of opinion that Commissioners must be attached to the Varna-Rustchuk Railway Company, and I beg, therefore, to propose for this appointment Messrs. N. Stoïtchoff and L. Yongovitch. The former is thoroughly versed in all matters connected with the line. The latter is an engineer, and a railway expert.

The official duties of these gentlemen will consist in seeing that the "Règlement concernant les Commissaires Impériaux" is properly carried out, and their salaries will be paid by the working Company either in accordance with paragraphs 10 and 32 of the original Concession to the "Compagnie d'Exploitation des Chemins de Fer de la Turquie d'Europe," or else in the same way that it formerly used to be paid at the time of the Ottoman dominion.

As up to this time the Prince's Government has exercised no control over the line, everything that has been done prior to the date of this appointment is beyond the competence of the Commissioners, and the settlement of any such matters lies between the Government and the Company.

If your Highness agrees to this my proposal, I ask you to sign the accompanying Ukaz.

(Signed) ECONOMOFF

Inclosure 2 in No. 36.

Extract from the "Official Gazette" of June 2 (14), 1884.

Ukaz.

(Translation.)

WE, Alexander I, &c., Prince of Bulgaria, on the proposal of our Minister of Public Works, dated the 26th May (o. s.), have decreed as follows:—

Messrs. N. Stoïtchoff and L. Yongovitch are appointed Government Commissioners for the Varna-Rustchuk Railway.

Their salary is to be paid either by the "Compagnie d'Exploitation," in accordance with Articles 10 and 34 of the Concession originally granted to the "Compagnie d'Exploitation des Chemins de Fer de la Turquie d'Europe," or else in the same way as it was paid during the time of the Ottoman dominion.

In the performance of their duties, the Commissioners will act in strict conformity with the Règlement concerning the Government Commissioners, and they are not in any way officially to express approval or disapproval of anything that may have been done during the past six years by the "Compagnie d'Exploitation."

The Minister of Public Works is charged with the execution of the present Decree.

(Signed) ALEXANDER.

(Countersigned) ECONOMOFF.

No. 37.

The Earl of Dufferin to Earl Granville.—(Received July 2.)

(No. 121. Commercial.)

Therapia, June 22, 1884.

My Lord,

I HAVE the honour to acknowledge the receipt of your Lordship's Commercial despatch respecting the subsidy due to the Varna Railway Company for the year ended the 30th June, 1884, and to report that I have addressed a further note to the Porte, reiterating the previous arguments put forward on this subject by Her Majesty's Embassy, and quoting your Lordship's words, to the effect that Her Majesty's Government have no intention whatever of abandoning so clear a claim, and will continue to insist on its satisfaction.

I have, &c.

(Signed) DUFFERIN.

No. 38.

M. Mavrogordato to Mr. Austin Lee.—(Received July 7.)

Varna-Rustchuk Railway Company Delegation, Imperial Hotel, Vienna, July 3, 1884.

Dear Sir,

WE left Paris after signing a contract with Hirsch's Company as to the abandonment of the lease of the line. On our arrival here for the purpose of seeing the Minister as to the sanction of the Austrian Government, we applied to Sir A. Paget for an interview, which he granted us and received us very politely, but stated that, according to the tenour of his instructions, he could not speak himself to the Minister, either officially or officiously, on the subject-matter of our mission. We limited ourselves to ask a letter of introduction to the Minister, which Sir A. Paget promised to give us; but when we received it, it contained an express disclaimer of any responsibility or sanction on the part of Her Majesty's Government as to the subject-matter of our mission.

It appears to us that a letter containing such a disclaimer is not likely to promote our objects, and thought that a simple letter of introduction would not necessarily imply any responsibility, as it would not even express any acquaintance with the subject. It is clear, however, that Sir A. Paget would not even go so far as to introduce us to the Minister without authority from the Foreign Office to that effect. We know that the Government is very shy in undertaking responsibilities in foreign

countries with regard to private interests, but I venture to say that our case makes an exception. It is a matter having the sanction of the Berlin Treaty, and which will have to be treated diplomatically if it be not settled privately. It is also made periodically the subject of interpellations in the House of Commons, as the interests involved are considerable. I should be glad if the home authorities took this view of the matter, and allowed the Ambassador to do the little we ask from him—a simple letter of introduction to the Minister. If such authority were sent by telegraph, it would save much time.

Believe me, &c.

(Signed) E. A. MAVROGORDATO.

No. 39.

Sir A. Paget to Earl Granville.—(Received July 7.)

(No. 35. Commercial.)

Vienna, July 4, 1884.

My Lord,

I HAD the honour to receive your Lordship's despatch No. 16, Commercial, of the 21st ultimo, relative to the journey viâ Vienna to Sophia of M. E. Mavrogordato and others connected with the Varna Railway, inclosing copies of correspondence with M. Mavrogordato, and giving me instructions for my guidance in the event of these gentlemen calling upon me.

I have now the honour to inform your Lordship that the day before yesterday I received a letter signed by Messrs. Mavrogordato and Secchiari, explaining the object of their visit to Vienna, and asking me to receive them. I appointed yesterday morning for the interview, but in my letter doing so I stated that, as they had been informed by Lord Edmond Fitzmaurice's letter of the 21st ultimo, "It is to be understood that the authority of Her Majesty's Government cannot be invoked in any manner in connection with the journey of the delegates to Vienna and Sophia," it would not be in my power to make any communication to the Austrian Government on the subject of their mission.

M. Mavrogordato, who was the principal spokesman, after entering into the details of the Varna-Rustchuk Railway and the arrangement with Baron Hirsch, asked me whether, if I could not assist them officially, I might not, in an unofficial manner, suggest to the Austrian Government to accord their sanction to the transfer of the line; to which I replied that I could not interfere in the matter in any way, either officially or unofficially.

He then asked me what advice I could give them. I said that I had no advice to give, but that, according to the statement he had made, the case appeared to be simple enough, and that I presumed that if it was brought by personal representation before the proper Department of the Austrian Government, it would receive due attention.

M. Mavrogordato said that he was afraid without a recommendation he and his colleague might have difficulty in gaining admission to the Minister. Would I give them a letter of introduction?

I asked them if they were British subjects? M. Mavrogordato said he was a naturalized British subject, but M. Secchiari could not claim British nationality. They observed, however, that they represented a Company in which a large amount of English capital was invested, and again urged me to give them a letter of introduction.

Bearing in mind that your Lordship leaves to my discretion to decide what action I can properly take in the matter, I came to the conclusion that there would be no objection to my giving them a letter to the Austrian Minister of Commerce, provided it was so worded as to make it clear that Her Majesty's Government in no way sanction or are responsible for their mission, and your Lordship will see by the letter which I sent them for Baron Pino, of which a copy is herewith inclosed, that this point is distinctly stated.

I have, &c.

(Signed) A. PAGET.

PUBLIC RECORD OFFICE

Inclosure in No. 39.

Sir A. Paget to Baron de Pino.

Ambassade d'Angleterre, ce 3 Juillet, 1884.

M. le Ministre,

JE prends la liberté de présenter à votre Excellence Mr. E. A. Mavrogordato et M. P. G. Séchiari, délégués établis à Londres de la Compagnie du Chemin de Fer Roustchouk-Varna, lesquels désireraient avoir l'honneur de parler avec votre Excellence à propos des affaires de la Société.

Je dois pourtant ajouter que cette lettre n'implique aucune espèce de responsabilité ni de sanction de la part du Gouvernement de Sa Majesté au sujet de la mission de ces messieurs.

Je saisis, &c.

(Signé) A. PAGET.

No. 40.

Lord E. Fitzmaurice to M. Mavrogordato.

Foreign Office, July 9, 1884.

Sir;

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 3rd instant, addressed to Mr. Austin Lee, with respect to the proceedings at Vienna of the delegates of the Varna and Rustchuk Railway Company.

I am, &c.

(Signed) EDMOND FITZMAURICE.

No. 41.

Earl Granville to Sir A. Paget.

(No. 19. Commercial.) *Foreign Office, July* 10, 1884.

Sir,

I HAVE received your Excellency's despatch No. 35, Commercial, of the 4th instant, reporting your interview with MM. Mavrogordato and Sechiari in connection with the Varna Railway Company's claims, and inclosing a copy of the letter of introduction furnished by you to them to the Austrian Minister of Commerce; and I have to state to you that I entirely approve your Excellency's proceedings as reported in your despatch above referred to.

I am, &c.

(Signed) GRANVILLE.

No. 42.

Earl Granville to the Earl of Dufferin.

(No. 88. Commercial.) *Foreign Office, July* 11, 1884.

My Lord,

WITH reference to your Excellency's despatch No. 121, Commercial, of the 22nd ultimo, I have to observe that it is desirable as a general rule, and in matters likely to be brought before Parliament, that Her Majesty's Representatives should send home copy of notes to foreign Government, in order that the precise terms of the communication made may be known.

I should be glad, therefore, to receive a copy of the note to the Porte relative to the case of the Varna Railway, referred to in your Lordship's above-mentioned despatch.

I am, &c.

(Signed) GRANVILLE.

No. 43.

Mr. Pasco to Earl Granville.—(Received July 12.)

Varna Railway Company, Offices, 56, *New Broad Street, London, July* 11, 1884.

My Lord,

YOUR Lordship is aware, from previous notification, that the bond and shareholders of the Varna Railway Company appointed three delegates to proceed to Sophia for the purposes of endeavouring to effect a settlement of this Company's claims with the Bulgarian Government.

I am instructed to ask your Lordship to be so good as to write to Mr. Kennedy, Her Majesty's Representative in Bulgaria, requesting him to render all possible help to these gentlemen in their negotiations, and this assistance at the present moment the Council feel is the more important, as a change in the Ministry in Bulgaria has apparently taken place. I understand that M. Mavrogordato and M. Sechiari have just arrived in Bulgaria, M. Landau, the third delegate, having been compelled to return through illness, and, under these circumstances, as time is of great importance, the Council hope that your Lordship may see fit to telegraph to the above effect to Mr. Kennedy.

I have, &c.

(Signed) ROBT. PASCO, *Secretary*.

No. 44.

Lord E. Fitzmaurice to Mr. Pasco.

Foreign Office, July 15, 1884.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 11th instant, asking that Her Majesty's Acting Agent and Consul-General at Sophia may be instructed to render assistance to the delegates who are endeavouring to effect a settlement of the Company's claims on the Bulgarian Government, and, in reply, I am to state that such instructions as can properly be given in the matter were sent to Her Majesty's Agent at the application of the delegates when they started on their journey, and need not be repeated.

I am, &c.

(Signed) EDMOND FITZMAURICE.

No. 45.

Sir A. Paget to Earl Granville.—(Received July 16.)

(No. 37. Commercial.)

My Lord, *Vienna, July* 9, 1884.

WITH reference to my despatch No. 35 of the 4th instant, I have now the honour to inclose copy of a letter which I have received from Messrs. Mavrogordato and Sechiari, acknowledging the receipt of the letter of introduction which I sent them for the Austrian Minister of Commerce, but stating that they leave Vienna without making use of it, in consequence of the paragraph it contains disclaiming any responsibility on the part of Her Majesty's Government in regard to the object of their mission.

I have, &c.

(Signed) A. PAGET.

Inclosure in No. 45.

Messrs. Mavrogordato and Sechiari to Sir A. Paget.

Excellency, *Vienna, July* 8, 1884.

BEFORE leaving Vienna it is our duty to thank you for your kind reception, and for the letter to the Minister of Commerce with which you furnished us, which letter, however, we have not used, seeing that the strong disclaimer it contained of

any interest in the subject of our mission on the part of Her Majesty's Government would not have helped us to any measure of success. We leave, therefore, without having seen any of the officials here, as we have no title to approach them unless properly introduced.

We remain, &c.
(Signed) E. S. MAVROGORDATO.
P. SECHIARI.

No. 46.

The Earl of Dufferin to Earl Granville.—(Received August 13.)

(No. 165. Commercial.)
Therapia, August 2, 1884.

My Lord,

IN compliance with the instructions contained in your Lordship's despatch No. 88, Commercial, of the 11th ultimo, I have the honour to transmit herewith to your Lordship a copy of the note which I addressed to the Ottoman Minister for Foreign Affairs respecting the claim of the Varna Railway Company against the Ottoman Government.

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 46.

The Earl of Dufferin to Assim Pasha.

Therapia, June 11, 1884.

M. le Ministre,

I HAVE received the note which, in reply to mine, your Excellency did me the honour to address me on the 29th April last concerning the sum of 140,000*l.* due by the Imperial Government to the Varna Railway Company.

Lord Granville, to whom I lost no time in transmitting a copy of your Excellency's note, has now instructed me to declare to your Excellency, in a clear and precise manner, that Her Majesty's Government have no intention of abandoning so well-founded a claim, and that they will continue to insist upon payment being made.

In bringing what precedes to your Excellency's knowledge, I will take the liberty of again calling the serious attention of the Sublime Porte to the various arguments enumerated in my note of the 27th December last, which prove in the clearest manner that this claim constitutes a direct debt from the Imperial Government to the said Company, and cannot for this reason come under the provisions of Article X of the Treaty of Berlin.

This point being established, I feel it my duty to offer you a few remarks, M. le Ministre, which have been suggested to me by the perusal of the note, to which I have the honour to reply. First of all, I will observe that it appears to me to be untenable to attempt to lessen the value of the "Ilmi Haber" given by the Ministry of Finance to Mr. Michael Simeni, the said Company's Agent. In fact, a simple perusal of this document will enable your Excellency to understand that it is a bond for 140,000*l.* due to the Varna Railway Company for guaranteeing the receipts and expenditure of the year 1874-75, without prejudice to any measures to be taken at a later period, with a view to the settlement of the disputes which have arisen between the Imperial Government and the Company; that this amount was to be paid by monthly instalments of 12,100*l.*, and that the first instalment was to be paid on the 16th May, 1292 (1876).

This debt, therefore, was perfectly clear at the time when the Ministry of Finance delivered the "Ilmi Haber," and it cannot in any way be made to figure, as your Excellency maintains, on the list of accounts, the settlement of which was, at a later time, made dependent by the Berlin Treaty upon an understanding between the Sublime Porte, the Principality of Bulgaria, and the Company's administration.

In order to convince yourself of this fact, your Excellency has only to observe that the bond in question was delivered in 1876, whereas the Berlin Treaty was signed on the 13th July, 1878, that is to say, two years later.

Moreover the note addressed to Mr. Goschen by the Sublime Porte on the

3rd August, 1880, informed Her Majesty's Ambassador that the non-payment of this bond was due to causes over which the Ministry of Finance had no control, and that the Imperial Treasury would not have failed to meet this engagement had it not been embarrassed as to be forced to suspend entirely the payment of the public debt.

Thus, the Sublime Porte officially acknowledged this debt at that time, and it only remained to find a suitable means of paying it.

Nevertheless, your Excellency has thought fit to pass over in silence this communication of the Sublime Porte, to which I have always attached the greatest value.

In face of these arguments, I venture to trust that your Excellency, actuated by the high sentiments of equity and impartiality which characterize you, and of which you have so often given me proof, will not fail to admit that it would be no longer just or equitable to delay indefinitely the settlement of this incontestable claim to which, in the opinion even of the Crown lawyers, the Xth Article of the Berlin Treaty cannot be made applicable.

I avail, &c.
(Signed) DUFFERIN.

No. 47.

Earl Granville to the Earl of Dufferin.

(No. 114. Commercial.)
Foreign Office, August 20, 1884.

My Lord,

I HAVE to inform your Excellency that I approve your note to the Porte, copy of which is inclosed in your despatch No. 165, Commercial, of the 2nd instant, respecting the claims of the Varna Railway Company on the Ottoman Government.

I am, &c.
(Signed) GRANVILLE.

No. 48.

Mr. R. J. Kennedy to Earl Granville.—(Received September 6.)

(No. 25. Commercial.)
Sophia, August 20, 1884.

My Lord,

I HAVE the honour, with reference to my despatch No. 19, Commercial, of the 3rd June, to make the following report on the progress of the private negotiations now being carried on between the Varna-Rustchuk Railway Company and the Bulgarian Government.

On the 4th July I received a telegram from MM. Mavrogordato and Sechiari, the recently-appointed Company's delegates, who were at Vienna on their way to Bulgaria with full powers to bring the negotiations to a final settlement, in which they informed me that some delay had arisen in concluding an arrangement with Baron Hirsch. They asked, therefore, whether, in my opinion, they should allow that matter to stand over for the moment, and come at once to Bulgaria for the purpose of signing a contract with the Government, on the distinct understanding that this last should not come into force until the negotiations with Baron Hirsch had been brought to a satisfactory settlement, in accordance with the conditions already laid down. The delegates further wished to know whether they should not go to Tirnova rather than to Sophia, as the Prince and all the members of the Government were residing at the former place for an Extraordinary Session of the Bulgarian Chamber.

I replied to M. Mavrogordato that, in view of the instructions furnished to me by your Lordship, I could not take upon myself the responsibility of advising them upon the first point, but I added that, so long as the Government was absent from the capital, I feared a journey to Bulgaria was scarcely likely to be productive of much result.

The Tirnova Session, as your Lordship is aware, was closed on the 20th July, and resulted in the fall of M. Zankow's Government, and the accession to power of M. Karaveloff, leader of the Radical Opposition.

A few days before the close of the Session M. Stoïtchoff, one of the Bulgarian delegates who had been in London last winter negotiating with the Company, informed me that MM. Mavrogordato and Sechiari had telegraphed to him from

Vienna asking what they were to do, and whether they were to go to Tirnova or to Sophia, and that he had replied, with M. Karaveloff's knowledge, after an interview with his Excellency, "Vous ferez bien d'aller à Sophia."

Immediately after receiving this telegram, the delegates, who naturally drew from it favourable conclusions as to the intentions of the new Government, left for Sophia, where they were kept waiting more than a week for the arrival of the new Ministers.

On the 31st July they called upon me to ask—

1. Whether I would write to the Minister for Foreign Affairs for the purpose of urging his Excellency to use all convenient dispatch in entering into negotiations with them with a view of bringing the Varna-Rustchuk question to a speedy conclusion.

2. To ask whether, in my opinion, it would be advisable for them to state to the Bulgarian Government that, with the object of expediting matters, and of rendering the solution of the case more easy for Bulgaria, the Company would content itself with accepting the offer officially made by Messrs. Stoïtcheff and Harrower on the 20th March, an offer which the latter had further declared remained open for acceptance until the end of this year.

I explained to the delegates that my instructions precluded me from interfering officially in the details of the settlement, but that in order to render them all the assistance in my power, I would address a private letter to M. Tsanow on their behalf, and, further, that I would take an early opportunity of making strong verbal representations to his Excellency. A copy of my letter to M. Tsanow is herewith annexed.

With regard to the second point, whilst disclaiming all responsibility for the course which the delegates may decide upon following in their negotiations with the Bulgarian Government, I made the following observations for their consideration.

The offer which M. Zankow's Government made on the 20th March was to purchase the railway, subject to certain specified conditions, for 48,500,000 fr.

The Company hesitated about accepting, as they were not satisfied that the price named was sufficiently large to warrant their closing with it.

On the 30th May I was instructed that the Foreign Office had been privately informed that if the Bulgarian Government would consent to issue at 97½ their 6 per cent. State bonds, which are to be given in part payment of the purchase money, a settlement was probable.

In accordance with an authorization conveyed to me at the same time, I told M. Zankow, whilst carefully explaining to his Excellency that Her Majesty's Government would not in any way interfere in the details of the negotiations pending between the Bulgarian Government and the railway Company, that the difference between the two parties appeared to your Lordship to be so small that you strongly advised Bulgaria to accept the proposal.

The result of my interview with M. Zankow was that his Excellency, who expressed personally the strongest desire to see the Varna-Rustchuk question settled, stated that if the Company would make a formal counter-proposal to the Bulgarian delegates, which it had hitherto carefully abstained from doing, it would be taken into consideration, and he himself would do all in his power to bridge over the difference between the two contending parties.

Upon receipt of this information, M. Mavrogordato and M. Sechiari were authorized at a general meeting in London of the Varna-Rustchuk bondholders to come out to Sophia with full powers to negotiate and sign an agreement with the Bulgarian Government.

Before, however, they could arrive at Sophia a change of Government took place in Bulgaria, and M. Zankow, who was very favourably disposed to an early settlement of the question on the lines indicated, retired from office.

He was succeeded by M. Karaveloff, leader of the Radical Opposition, who had made use of the Varna-Rustchuk question among many others for the purpose of ousting the Government from power.

The delegates now fear that the opposition which hitherto M. Karaveloff has brought to bear against a settlement will prevent him carrying the business through the Chamber, now that he is in power, and they are debating whether their best policy would not be to explain to M. Karaveloff that they have abandoned all expectation of any counter-proposal on their part being favourably entertained, and that they will content themselves with accepting the offer of 48,500,000 fr. made by the late Government, which they were told remained open till the end of this year.

By acting in this manner, the delegates think that they may facilitate M. Karaveloff's task, as the latter can always shelter himself from all responsibility before the Chamber by pointing out that he had no option but to stand by an arrangement to which the present Government is committed by its predecessors, but that he had firmly refused to advance beyond the price already indicated. The supporters of the late Government will, the Delegates believe, be prevented at the same time from opposing a settlement, as the terms are those of their own making.

Against these arguments, I pointed out that the following considerations must be balanced.

If the present Karaveloff Government really desire to see the question settled, and this point is by no means clear, they can, quite as easily as their predecessors, take into consideration a counter-proposal from the Company with a view of granting to the latter improved terms; and if they do not desire a settlement, no reasonable concession or sacrifice is likely to be of any avail.

If the present Government were likely to remain some time in office, the delegates might make such terms with them as may appear desirable, regardless of the wishes and feelings of M. Zankow.

As, however, M. Karaveloff's tenure of power is not likely to be of very long duration, and, as M. Zankow's and his supporter's return to office at no distant date is quite possible, the delegates must consider the position which they would occupy in such an eventuality.

M. Zankow would most undoubtedly protest that the Company had received from him the best offer ever made by a Bulgarian Government, and one which he was prepared to do all in his power to induce the Chamber to accept. This offer the Company hesitated to accept; but the moment his opponents come into power they propose to the latter, readily and voluntarily, terms which they refused from himself.

The delegates would find it difficult to justify this inconsistency, and it would not improbably injure their case very much in this country, and would strengthen the hands of their opponents here, who have always declared that the whole object of the Company is to see to what length they can induce the Bulgarian Government to advance. They would, besides, incur the ill-will of all M. Zankow's friends.

If the delegates are satisfied that M. Karaveloff is prepared to sign and to get through the Chamber the proposal to purchase the railway for 48,500,000 fr., it would perhaps be worth their while to agree at once. Unless, however, they are satisfied upon this point, it is for them to decide how far it is advisable and consistent on their part to retire from the perfectly legitimate position which they now occupy, viz., that of having come to Sophia, by M. Zankow's invitation, with a formal counter-proposal, an invitation which was repeated with the full knowledge and tacit sanction of M. Karaveloff, after the latter had succeeded to office.

The following day I called upon M. Tsanow, and spoke to his Excellency on the subject of the mission with which the Company's delegates are charged. The leading points of the case were well known to him, and I contented myself with recapitulating the details of my last interview with M. Zankow. I pointed out that the delegates had come to Sophia with a counter-proposal from the Company at the invitation of the late Government, an invitation which had been lately repeated to them since the accession to office of M. Karaveloff. I added that I was in a position, in a friendly and unofficial manner, strongly to recommend its acceptance by the Bulgarian Government, with a view of bringing the question to a final settlement; and I particularly urged that all useless delays on the part of the Ministers in examining the counter-proposal and giving a definite reply should be avoided, as the time of MM. Mavrogordato and Sechiari, who have other occupations in London, was limited.

M. Tsanow, who did not consider that his Government was in any way bound by the action of M. Zankow, admitted that M. Karaveloff is in a better position to get the question through the Chamber than his predecessor, as the supporters of the late Government would find it difficult to oppose an arrangement which their own Chief had been instrumental in bringing about. He promised to see the delegates that afternoon, and after hearing their proposals to lay them next day before a Council of Ministers.

Both these promises M. Tsanow kept.

In the meanwhile, the Bulgarian Delegate, M. Stoïtcheff, a friend and political supporter of M. Zankow, resigned, and Prince Hilcoff, a Russian, employed in the Ministry of Public Works, was appointed in his place.

MM. Mavrogordato and Sechiari, after several long interviews with M. Tsanow

and Prince Hilcoff, fearing that the answer from the Bulgarian Government would be long delayed, and, when received, probably of an unfavourable nature, asked whether it would be possible to obtain the Prince's intervention. I accordingly communicated a short Memorandum of the case to his Highness, through his Private Secretary, and the latter informed me verbally, two days afterwards, that M. Karaveloff had decided to refuse the Company's counter-proposal, but to abide by the last proposals of the late Government and to lay them before the Chamber.

The next day MM. Mavrogordato and Sechiari received an official reply, of which I have the honour to inclose copy, couched, as your Lordship will observe, in a far less satisfactory form than they had been led to expect from the message which had been given to me. They, therefore, asked whether it would be possible for them to have an interview with his Highness, and as they had not been presented to the Prince, I wrote to know whether they would be received at a private "Audience de Cérémonie," in order that they might present their respects to his Highness.

The Prince at once consented and received them with great courtesy. He alluded to the Varna-Rustchuk question of his own accord, and expressed regret at learning that they were dissatisfied with their reply. He added that no one was more anxious than he himself to see this open sore ("cette plaie ouverte") closed, but that as it was a question of money, it was not one in which he could himself actively interfere.

Since then the delegates have had several interviews with M. Tsanow alone, Prince Hilcoff having left some time ago for Russia, on leave.

Briefly stated, the position of the two parties is, at the present moment, as follows:—The delegates contend that if the new Government has not "declined in principle," *i.e.*, has agreed to the last proposals of M. Zankow's Government, they should sign a preliminary contract to that effect subject to the ratification of the Chamber, and should such a contract be now signed they are prepared to make several important concessions to the Government. M. Tsanow replies that the Government are determined to spare no effort to get the question through the Chamber, but that they cannot sign a preliminary contract whose only effect would be to "tie their hands," and, in view of the violent opposition which was maintained against the proposed settlement by M. Karaveloff when he was out of office, to render it impossible for the latter effectually to support the proposals before the Chamber.

The delegates positively insist upon a contract, the Government as positively refuses, and though several suggestions have been made for overcoming this deadlock, no satisfactory means, acceptable to both sides, have yet been discovered.

I have, &c.
(Signed) ROBT. J. KENNEDY.

Inclosure 1 in No. 48.

Mr. R. J. Kennedy to M. Tsanow.

Sophia, le 1er Août, 1884

Cher M. le Ministre,

J'ESPÈRE que votre Excellence voudra bien me permettre de vous adresser un mot au sujet de la mission dont Mr. Mavrogordato et M. Sechiari sont chargés.

Votre Excellence connaît déjà trop bien les détails de l'affaire Varna-Roustchouk pour qu'il me soit nécessaire de les expliquer par écrit, ainsi je me contente, jusqu'à ce que je puis avoir l'honneur de m'entretenir verbalement avec votre Excellence, d'exprimer l'espoir que le Gouvernement Princier voudra bien entrer en négociation avec les Délégués de la Compagnie du Chemin de fer Varna-Roustchouk avec le moins de délai possible, afin que cette question, qui à traîné pendant tant d'années et que mon Gouvernement verrait avec plaisir et satisfaction réglée à l'amiable, soit bientôt décidée.

En agissant de cette manière votre Excellence contribuera puissamment à effacer l'impression pénible que cette question, dont presque tous les détails ont été publiés, ne peut manquer de produire à tous ceux qui ont à cœur l'honneur et les intérêts réels de la Bulgarie.

Je profite, &c.
(Signé) ROBT. J. KENNEDY.

Inclosure 2 in No. 48.

M. Tsanow to MM. Mavrogordato and Sechiari.

Messieurs, *Sophia, le 31 Juillet (12 Août),* 1884.

EN réponse à la lettre que vous avez bien voulu nous adresser, à M. le Prince Hilcoff et à moi, à la date du 5 de ce mois, j'ai l'honneur de porter à votre connaissance que le Conseil des Ministres, après avoir examiné et étudié la question, regrette de ne pouvoir accepter les propositions que lui sont faites.

Toutefois, pour ce qui concerne les négociations déjà entamées à Londres, le Ministère actuel ne les déclinant pas en principe, se réserve de les soumettre à la décision de l'Assemblée Nationale, après avoir examiné et éclairci avec vous, Messieurs les délégués, quelques détails y relatifs.

Veuillez, &c.
(Signé) TSANOW.

No. 49.

Mr. R. J. Kennedy to Earl Granville.—(Received September 4.)

(No. 26. Commercial. Confidential.)

My Lord, *Sophia, August 27,* 1884.

WITH reference to my despatch No. 25, Commercial, of the 21st instant, I have the honour to report that on the 22nd instant the Varna-Rustchuk delegates, MM. Mavrogordato and Sechiari, had an interview of several hours' duration with M. Karaveloff, President of the Council of Ministers, at which they insisted that the Government should loyally take up the negotiations at the point where they were left by M. Zankow, and bind themselves by a signed contract to submit and to support the question before the Chamber on the lines already indicated.

His Excellency gave them on the following morning what he stated to be his final reply. He said that the Government could not sign a preliminary contract, but that a Commission would be nominated to go through the details of the proposed arrangement with the delegates, and to draw up with them a draft contract, which would be submitted on the one side to the Bulgarian Chamber, and on the other to a meeting of shareholders in London for their respective opinions.

This suggestion the delegates informed me they could not possibly entertain. They had pointed out to M. Karaveloff during their interview with him that all the details of the proposed arrangement have been carefully gone into by the Bulgarian delegates when in London, and by themselves (MM. Mavrogordato and Sechiari) with M. Tsanow at Sophia, and that to nominate a Commission to go through this work again, with the certainty that no preliminary contract will, under any circumstances, be signed, would be merely a waste of time, and would risk compromising the position now occupied by the Company, viz., that of having signified their acceptance of the last proposals made by M. Zankow's Government. The delegates further informed me that, as in spite of all their efforts, they could come to no satisfactory arrangement with the Government, they had decided upon leaving Sophia, and this decision they proposed conveying to M. Karaveloff in a very strongly worded note, which they were good enough to read to me.

I begged them to withhold this note, in order that an attempt might be made to obtain such a letter from the Government as they (the delegates) could accept, which would insure the matter being brought before the Chamber in October, as, once the general consent of the latter has been obtained, it will be comparatively easy, for whatever Government may be in power, to settle the details in an authoritative manner. To this they consented, and I took an opportunity of pressing on M. Tsanow the necessity of giving the delegates at least a letter admitting the validity of M. Zankow's last offer. His Excellency, after another interview with the delegates, consented to consult his colleagues again on the matter, and yesterday evening, three hours before their departure from Sophia, MM. Mavrogordato and Sechiari received a letter, of which, together with their reply, I have the honour to inclose copies.

M. Tsanow has now admitted, in writing, that the late Government's offer remains open for acceptance by the Company until the end of the year, and he has given a written assurance that the question will be laid before the Chamber. This is the utmost that the delegates could hope, under the circumstances, to obtain from

M. Karaveloff, who, when out of office, most strenuously opposed all proposals for purchasing the line at a higher price than 18,000,000 fr., and whose action, now that he is in power, is being bitterly criticized by his opponents. As, however, putting party considerations aside, every one admits that the Varna-Rustchuk question must be brought to a settlement, reasonable hopes may, I think, be entertained that the Chamber at its next Session will authorize the Government to come to a final decision with the Company for the purchase of the railway on the conditions named. In any case, whatever may be the vote of the Chamber, the rights of the Company are preserved intact, as MM. Mavrogordato and Sechiari have merely, in reply, acknowledged the receipt of M. Tsanow's letter, and promised to lay it before a meeting of shareholders in London.

I have, &c.
(Signed) ROBT. J. KENNEDY.

Inclosure 1 in No. 49.

M. Tsanow to MM. Mavrogordato and Sechiari.

Messieurs, *Sophia, le* 14 (26) *Août*, 1884.

LE Gouvernement Princier ayant par l'entremise des Délégués du Ministère précédent fait certaines offres à la Compagnie du Chemin de Fer Varna-Roustchouk pour le rachat de la ligne, offres qui sont contenues dans une série de lettres dont la dernière porte la date du 30 Mai, 1884, et, ces offres restant ouvertes à l'acceptation de la Compagnie jusqu'à la fin de l'année, le Ministère se trouvant dans l'impossibilité de signer un contrat comme vous l'y avez invité par votre lettre du 15 Août, sans avoir reçu l'autorisation préalable de la Chambre, s'engage à saisir de la question l'Assemblée Nationale immédiatement après l'ouverture de sa prochaine Session et, ayant obtenu l'autorisation nécessaire, il en avisera la Compagnie afin de procéder à l'accord définitif ainsi qu'à la signature d'un contrat.

Veuillez, &c.
(Signé) TSANOW.

Inclosure 2 in No. 49.

MM. Mavrogordato and Sechiari to M. Tsanow.

M. le Ministre, *Sophia, le* 14 (26) *Août*, 1884.

NOUS avons l'honneur d'accuser réception de votre lettre de ce jour, nous informant sur la procédure que vous avez décidé d'adopter à l'égard de l'affaire du Chemin de Fer Varna-Roustchouk, et nous ne manquerons pas à notre retour à Londres de la soumettre à nos commettants.

Agréez, &c.
(Signé) E. MAVROGORDATO.
P. SECHIARI.

No. 50.

Earl Granville to Mr. R. J. Kennedy.

(No. 16. Commercial.)

Sir, *Foreign Office, September* 9, 1884.

I APPROVE the action adopted by you, as reported in your despatch No. 26, Commercial, dated the 27th ultimo, and marked Confidential, with a view of bringing about an understanding between MM. Mavrogordato and Sechiari, the delegates of the Varna-Rustchuk Railway, and M. Karaveloff, President of the Bulgarian Council of Ministers.

I am, &c.
(Signed) GRANVILLE.

No. 51.

Mr. Wyndham to Earl Granville.—(Received October 8.)

(No. 222. Commercial.)

My Lord, *Therapia, October* 1, 1884.

WITH reference to his Excellency the Earl of Dufferin's despatch to your Lordship No. 89, Commercial, of the 5th May, I have the honour to inclose herewith copy of a note from his Excellency Assim Pasha, Ottoman Minister for Foreign Affairs, relating to the claim of the Varna Railway Company against the Ottoman Government.

In this note his Excellency states that, however willing he may be to defer to the wishes of Her Majesty's Government, he regrets that he is unable to consider the Imperial Treasury as responsible for the sum claimed. He reiterates his declaration that this question falls under the application of Article X of the Treaty of Berlin, and adduces in support a passage from the "Ilmi-Haber" given by the Malieh to M. Jimoni, in which it is expressly stated that the payment of the sum in question shall be made without affecting the measures to be taken for the settlement of the further questions in dispute between the Imperial Government and the railway Company. His Excellency further states that this reservation clearly shows that, owing to the sum in question not having been paid at the moment of the signature of the Treaty of Berlin, this claim should be considered as forming one of those cases, the settlement of which should be submitted to an arrangement between the Sublime Porte, the Bulgarian Government, and the Company concerned.

In referring to the note addressed to Mr. Goschen by Abedine Pasha on the 3rd August, 1880, his Excellency maintains that, whatever may be the terms of the note in question, it cannot in any way modify the real nature of the debt, nor invalidate the stipulations of the Xth Article of the Treaty of Berlin.

I have also the honour to inclose to your Lordship a copy of my reply to Assim Pasha's note, in which, after consultation with M. Jimoni, the agent of the railway Company, I have brought forward further evidence to prove that the debt was looked upon as far back as 1874 as one directly due by the Ottoman Treasury to the Varna Railway Company.

I have, &c.
(Signed) HUGH WYNDHAM.

Inclosure 1 in No. 51.

Assim Pasha to the Earl of Dufferin.

M. l'Ambassadeur, *Sublime Porte, le 27 Août*, 1884.

J'AI eu l'honneur de recevoir la note que votre Excellence a bien voulu m'adresser le 11 Juin dernier, relativement à la réclamation de la Compagnie du Chemin de Fer de Varna contre le Gouvernement Impérial.

Quelque désireuse qu'elle soit de déférer à la demande du Gouvernement de Sa Majesté Britannique, la Sublime Porte regrette de ne pouvoir considérer la somme réclamée par la dite Compagnie comme constituant une dette directe du Trésor Impérial. En effet, ainsi que j'ai déjà eu l'honneur de le déclarer à votre Excellence, cette question tombe sous l'application de l'Article X du Traité de Berlin. Le passage lui-même de l'Ilm-Ilaber délivré par le Malié à Mr. Timoni et que votre Excellence veut bien citer dans sa note précitée vient à l'appui de cette manière de voir, puisqu'il porte expressément que le paiement de la somme serait effectuée sans préjudice des mesures à prendre pour le réglement des contestations surgies entre le Gouvernement Impérial et la Compagnie. Cette réserve indique clairement que la somme dont il s'agit doit, dès l'instant où elle n'avait pas encore été payée au moment de la signature du Traité de Berlin, être comprise au nombre de celles dont ce même Traité a subordonné la régularisation à une entente entre la Sublime Porte, la Bulgarie, et la Compagnie intéressée.

Pour ce qui est de la note adressée à Mr. Goschen par Abédine Pacha le 3 Août, 1880, votre Excellence voudra bien convenir, elle-même, dans son appréciation impartiale et éclairée, que cette communication, quels que soient les termes dans lesquels elle est conçue, ne saurait avoir pour effet de modifier le véritable caractère

de la créance en question, ni invalider les stipulations de l'Article X du Traité de Berlin.

J'aime à espérer que votre Excellence, reconnaissant la justesse des considérations qui précèdent, voudra bien répondre dans le même sens à la Compagnie réclamante.

Veuillez, &c.
(Signé) M. ASSIM.

Inclosure 2 in No. 51.

Mr. Wyndham to Assim Pasha.

Thérapia, October 1, 1884.

M. le Ministre,

I HAVE had under my consideration your Excellency's note of the 27th August, which you were good enough to address to the Earl of Dufferin, relative to the sum of 140,000*l.* claimed by the Varna Railway Company.

In this note your Excellency states that the Sublime Porte cannot consider this as a sum due by the Imperial Treasury.

Although the arguments put forward in the several communications which this Embassy has had the honour to address to the Imperial Ministry respecting this British claim would appear to be sufficient to convince the Imperial Government that this is not the case, I beg to submit to your Excellency copy of an extract of a paragraph of the *procès-verbal* drawn up by the Council of the Ministry of Public Works, dated the 11th October, 1291 (1874).

On perusal of this document, your Excellency will perceive that, in accordance with the Convention, dated the 8th May, 1872, the said Council, after having examined the accounts of the above-mentioned Company, considered it just that the sum of 140,000*l.* should be paid as guarantee for the year 1874-75.

Under the present circumstances your Excellency will, I feel convinced, admit that it would be impossible to lessen the value of the "Ilmi-Haber," delivered by the Ministry of Finance, by special order of the Grand Vizier, to Mr. Michael Jimoni, agent of the said Company. In fact, a careful examination of this deed enables me to assert that it makes no reference to the word "disputé," but merely states that it reserves itself in the future to deal with the formalities connected with the settlement of the differences existing between the Imperial Government and the said Company.

It is necessary, therefore, to attribute to the word "difference" its proper signification, which, in this case, aims only at the maintenance of the provisions of Article V of the Convention signed at Constantinople on the 18th May, 1872, between the late Mahmoud Medini Pasha, then Grand Vizier of the Ottoman Empire, and Mr. Ralph Earle, one of the managers of the Varna Railway Company, and cannot therefore have any connection whatever with the accounts whose settlement was made subject two years later by the Treaty of Berlin to an understanding between the Sublime Porte, the Principality of Bulgaria, and the Board of the said Company.

At the same time, I cannot share the view expressed by your Excellency with regard to Aheding Pasha's note. My Government has always attached the greatest importance to this communication of the Sublime Porte which admitted this claim, and I feel sure that your Excellency will agree with me, that it would not be equitable to invalidate the meaning of this note.

In face of such arguments which seem to me to be indisputable, I consider it my duty to again insist on the payment of this claim, which cannot in any sense fall under Article X of the Treaty of Berlin.

I avail, &c.
(Signed) HUGH WYNDHAM.

Inclosure 3 in No. 51.

Extract of a Paragraph of a Procès-verbal drawn up by the Ministry of Public Works, dated October 11, 1291 (1874).

WE have examined the accounts containing the receipts of the year 1874-75 of the Varna Railway, presented by the said Company and controlled by the Imperial Commissioner.

According to the contents of these accounts, the net returns of the said line during the above-mentioned period amount to 1,360,000 fr. 18 c. As the length of this line measures 224 kilom., it results that for each kilometre there remains a sum of 5,806 fr. 25 c.

In accordance with the Convention, dated the 8th May, 1872, whenever the gross revenue of the said line does not exceed 7,000 fr. per kilom., the Imperial Government is bound to pay in full the amount of the guarantee, fixed at 140,000*l.* In consequence, we have, after deliberation, considered it just that this sum of 140,000*l.* guaranteed should be paid to the above-mentioned Company for the said period.

No. 52.

Mr. R. J. Kennedy to Earl Granville.—(Received October 11.)

(No. 28. Commercial.)

My Lord, *Sophia, September* 27, 1884.

WITH reference to my despatches Nos. 20 and 21, Commercial, of the 16th and 20th June, I have the honour to report that M. Stoïtchoff has been superseded, for party reasons, in his appointment of Commissioner for superintending in the interest of the Bulgarian Government the working of the Varna-Rustchuk Railway, and that he has been replaced by M. Jelescovitch, an ex-Minister of Finance.

The other Bulgarian Commissioner, M. Yongovitch, whose nomination I had also the honour of reporting in my above-mentioned despatches, continues to hold his present appointment, and the two Commissioners are to be assisted in their duties by a Servian, M. Passitch, who is attached to them in the capacity of an expert.

I have, &c.
(Signed) ROBT. J. KENNEDY.

No. 53.

Earl Granville to Mr. Wyndham.

(No. 132. Commercial.)

Sir, *Foreign Office, October* 15, 1884.

I APPROVE your action, as reported in your despatch No. 222, Commercial, of the 1st instant, respecting the claim of the Varna Railway Company on the Porte.

I am, &c.
(Signed) GRANVILLE.

No. 54.

M. Mavrogordato to Lord E. Fitzmaurice.—(Received October 7.)

Varna-Rustchuk Railway Company Delegation,

My Lord, 19, *Bishopsgate Street Within, London, October* 6, 1884.

THE delegates appointed by the shareholders of the Varna Railway Company with full powers to settle the question pending between the Bulgarian Government and the Company have, during their stay at Sophia last summer, arranged with the Bulgarian Government for their taking the authority of the Chamber in the present Session, and afterwards signing a contract with us on the terms offered by the preceding Ministry, and accepted by us in the name of the Company. You have been kept advised of our proceedings by Mr. Kennedy, with whom we have been in constant communication.

At a meeting of the Company held on the 28th October, a Resolution was passed that we should again proceed to Sophia to see to the completion of the contract.

Before leaving we should feel obliged if you would grant us the favour of an interview, having important matters to communicate with reference to our mission.

We are, &c.
(Signed) E. A. MAVROGORDATO.

P.S.—The delegates appointed are: M. E. A. Mavrogordato, on behalf of the Board; M. Hermann Landau, on behalf of the bondholders; M. P. Sechiari, on behalf of the shareholders.

No. 55.

Mr. Austin Lee to M. Mavrogordato.

Foreign Office, November 8, 1884.

Sir,

IN reply to your letter of the 6th instant, I am desired by Lord Edmond Fitzmaurice to say that, in present circumstances, he is of opinion that in place of an interview with him, it would be more advisable that you should favour him with a statement in writing with regard to the important matters referred to in your letter, which he could submit in the usual course for Lord Granville's consideration.

After receiving this statement, should it appear to Lord Edmond desirable, he would fix a day for an interview with your deputation.

I am, &c.

(Signed) H. AUSTIN LEE.

No. 56.

Mr. Pasco to Earl Granville.—(Received November 10.)

Varna Railway Company, Offices, 56, New Broad Street, London, November 8, 1884.

My Lord,

THE correspondence upon the subject of the taking over of the Varna Railway by the Bulgarian Government, which I have been instructed at different times to forward for your Lordship's information, will have explained the position of the negotiations up to the date of the departure from London of the Bulgarian delegates, MM. Stoïtchoff and Harrower, in May last.

The final offer of Bulgaria then made was contained in their letter dated the 26th March, 1884, and afterwards by a telegram received from M. Stoïtchoff, sent by order of M. Zancoff, then Prime Minister, and dated Sophia, 30th May, subsequently confirmed by letter of same date: this offer remained open till the end of the present year.

On the 5th June last, at a special general meeting of the Varna shareholders, three delegates were appointed, representing respectively the shareholders, bondholders, and the Board, to proceed to Sophia, to endeavour to come to an arrangement with the Government of Bulgaria.

These gentlemen started on their mission, and when at Vienna learnt that the Zancoff Ministry had fallen, and had been replaced by another under M. Karaveloff, who had previously opposed M. Zancoff on this Varna question.

Upon the arrival of the delegates at Sophia they opened negotiations with the Government, with the view of obtaining some improvement in the aforesaid offer by the Zancoff Administration; but found this impracticable under the altered circumstances of the Government.

The then Cabinet, however, decided to regard the offers of the Zancoff Ministry as valid, that no alteration should be made therein, and that the matter should be submitted to the Chamber.

The delegates, on the 15th August last, accepted, pure and simple, the above-mentioned offers made by the Bulgarian delegates, and prepared a draft contract on that basis for signature, thereby placing themselves in a position to claim such a contract as of right.

The delegates, on the 26th August, received the following reply:—

"Gentlemen, "*Ministry of Foreign Affairs, Sophia, August* 14 (26), 1884.

"The Princely Government having, through the delegates of the preceding Ministry, made certain offers to the Varna-Rustchuk Railway Company for the repurchase of the line, offers contained in a series of letters, the last of which is dated the 30th May, 1884, and these offers remaining open for the Company to accept till the end of the year, the Ministry finding it impossible to sign a contract as you invite them to do in your letter of the 15th August, without having first received the authorization of the Chamber, undertakes to bring the question before the National Assembly immediately after the opening of the next Session, and having obtained the necessary authorization they will advise the Company of it, in order to proceed to a definitive agreement and to the signing of the contract.

(Signed) "TSANOW.

"A MM. Mavrogordato and Scchiari,
"Sophia."

And acknowledged its receipt, on the same day, in the following letter:—

"*Varna-Rustchuk Railway Company Delegation,*
"M. le Ministre, "*Sophia, August* 14 (26), 1884.

"We have the honour to acknowledge receipt of your letter of to-day, informing us as to the course of procedure you have decided on adopting with respect to the matter of the Varna-Rustchuk Railway, and we will not fail, on our return to London, to submit it to our constituents.

"Be pleased to accept, with our sincere thanks, &c.

(Signed) "E. A. MAVROGORDATO.
"P. SECHIARI.

"To his Excellency M. Tsanow,
"Minister of Foreign Affairs."

This short narrative brings the matter to the present date, the National Assembly has just met, and the various delegates are about to return to Bulgaria to be present, and to protect the interests of the Varna Railway to the utmost of their power.

My Directors feel that it would be of paramount assistance to the efforts of the delegates at this important juncture if your Lordship would, through Her Britannic Majesty's Representative at Sophia, actively impress the subject upon the attention of the existing Bulgarian Ministry, and insist that good faith should be kept with the Varna Company, that M. Karaveloff should, *bonâ fide*, recognize in its integrity the offer of the Executive Government under M. Zancoff, and urge upon the Legislature the absolute necessity of maintaining the integrity of Bulgaria by the acceptance of the offer made by the Executive Government, and accepted by the Varna Company, and recognized as binding by the present Ministry.

This settlement, which obviously involves, on the part of the shareholders and bondholders, enormous sacrifices of their rights under the Treaty of Berlin, has been accepted by their delegates, subject to ratification, with the object of bringing these tedious negotiations, extending over about seven years, to a definite conclusion, and the Board earnestly solicit your Lordship's prompt interference, and powerful aid and remonstrances, to assist the efforts of the delegates by bringing on the Bulgarian Government that pressure which Her Majesty's Government under the Treaty of Berlin, in justice to the Varna proprietary, has the right to exercise.

I have, &c.

(Signed) ROBT. PASCO, *Secretary.*

No. 57.

Earl Granville to Mr. Liscelles.

(No. 18. Commercial. Confidential.)

Sir, *Foreign Office, November* 12, 1884.

I INCLOSE, for your information, a copy of a letter I have received from the Varna Railway Company,* in which Her Majesty's Government are in effect asked to bring pressure to bear on the Bulgarian Government to prevent the latter, while ostensibly supporting the settlement agreed to between the Company and the late Cabinet, from obtaining its rejection by the Chamber. It is however, obvious that if the present Bulgarian Cabinet honestly intend to do their best to secure the assent of the Chamber to the settlement, pressure on the part of Her Majesty's Government is not wanted and might be resented; while, if there is any intention to procure its rejection, any action by Her Majesty's Representative in support of it would be eagerly seized as affording justification to a statement or to a rumour intentionally spread, that the interests of Bulgaria were about to be sacrificed under pressure from a foreign Power. But I am of opinion that, subject to your own discretion in the matter, no harm might be done by your taking an opportunity of again impressing on the Bulgarian Government in general terms how much Her Majesty's Government desire that this question should be settled.

You will perceive from the letter, of which a copy is inclosed,† that I have caused the Company to be informed that you have received instructions in this latter sense.

I am, &c.

(Signed) GRANVILLE.

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* No. 56. † No. 58.

No. 58.

Lord E. Fitzmaurice to Mr. Pasco.

Foreign Office, November 12, 1884.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 8th instant, and, in reply, to inform you that Her Majesty's Agent and Consul-General at Sophia has already been instructed to impress upon the Bulgarian Government the earnest wish of Her Majesty's Government that the question of the claims of the Varna Railway Company should be settled, and he will continue to act in accordance with those instructions.

I am, &c.

(Signed) EDMOND FITZMAURICE.

No. 59.

The Varna Railway Delegates to Lord E. Fitzmaurice.—(Received November 13.)

Varna-Rustchuk Railway Company Delegation,

19, Bishopsgate Street Within, London, November 12, 1884.

My Lord,

AGREEABLY to your request, we beg most respectfully to furnish you herewith with a résumé of the negotiations referring to the Varna Railway claims under the XIth Article of the Treaty of Berlin down to the present deadlock. In the last Blue Book published on the subject it is shown that, after nearly five years' delay, Bulgaria was still hesitating to consent unreservedly, notwithstanding pressure from the Foreign Office, to abide by the interpretation of the 10th paragraph of the Treaty to be given to it by the Ambassadors of the Signatories of the Treaty at Constantinople. Under the threat, however, that the British Government would proceed to call a Conference on the subject, whether the Bulgarians assented or no, the then Bulgarian Government, under M. Zankoff, expressed the desire to negotiate direct with the Company on the basis of the purchase of the railway outright, and with that object dispatched two Commissioners, MM. Stoïtchoff and Harrower, to London, with full powers to negotiate with the Company the purchase of the railway, rolling-stock, and all its rights. This took place nearly a year ago, and, after lengthened negotiations, a final offer was submitted by the Bulgarian delegates, which, however, fell so far short of the just claims and expectations of the Company, that the Directors deemed it their duty not to conclude the sale on those terms. From the offer of the Bulgarian Government, however (a copy of which, dated the 30th May, 1884, we beg herewith to inclose), your Lordship will perceive that it stands good until the end of this year. The bond- and share-holders of this Company, wearied with these long delays, determined to make great sacrifices in order to end this unfortunate business, and with that view appointed, at the special meeting of the 5th June, 1884, three delegates, the undersigned, to proceed to Sophia, with full powers to conclude the sale of the railway to the Bulgarian Government. On the arrival of the delegates at Sophia they found a new Ministry, under M. Kmaveloff, in power, and it was with very considerable difficulty that this new Ministry could be brought to acknowledge the validity of the offers made by their predecessors, of which we declared the acceptance on the part of the Company, but in spite of this acknowledgment the present Ministry declined to sign the definite contract, contenting themselves with giving the delegates a letter, a copy of which we beg herewith to inclose, from which your Lordship will see an undertaking is given to submit the question to the National Assembly for the purpose of obtaining authority to settle. That body met on the 28th October, and from the fact of this matter not having been mentioned in the Speech from the Throne, it is feared the Ministry are not in earnest in desiring a speedy settlement of this question.

On the 29th ultimo, at a meeting of the shareholders of the Company, a Resolution was passed requesting the delegates again to proceed to Sophia for the purpose of completing the contract, but the delegates feel that their mission will prove altogether futile unless they were thoroughly supported by the Foreign Office. How this can best be done it would be presumptuous on our part to say, but we would most respectfully submit two modes of procedure: the one by most unmistakably impressing on the Bulgarian Ministry the determination of the Foreign Office here to proceed with the arbitration at an early fixed date, or to insist on the present

Ministry accepting and acting on the offers made by their predecessors, the validity of which they had themselves acknowledged.

We must beg your Lordship's indulgence in further trespassing on your valuable time in expressing to you the feelings of the owners of the railway, that they are being dealt with very cruelly, that most of the provisions of the Treaty of Berlin have been, or are in the way of being, settled, but the Varna Railway question, which affects the interests of private British subjects to the extent of 3,000,000*l.*, still remains unsatisfied.

Were we granted the privilege of an interview, we could furnish your Lordship with ample evidence of the means Bulgaria has of discharging her obligations, as well as the real reasons for these vexatious delays, and the only means by which the pressure from the Foreign Office may be brought to bear effectually on the Bulgarian Government.

It is the intention of the delegates to leave again for Sophia on an early day, and they trust your Lordship will grant them an interview before their departure.

We are, &c.

(Signed) E. A. MAVROGORDATO.
P. SECHIARI.
H. LANDAU.

Inclosure 1 in No. 59.

Messrs. Stoïtchoff and Harrower to the Directors of the Varna Railway Company.

Sophia, May 30, 1884.

Gentlemen,

IN reply to your letters of the 2nd and 7th May, we beg, in the first place, to confirm the telegram we have this day sent to your Chairman, as follows:—

"Government maintain offer made by our letters of the 20th March and 9th April, with all the conditions indicated therein. Finds it impossible to make any further increase in terms. Offer remains open till end of present year. Letter on subject leaves first post. No. 75."

Since our return to Sophia we have communicated to our Government such of your letters as had not been previously sent, and have also furnished all those verbal explanations which were necessary on the subject, in order that the Council of Ministers might be enabled to make its decision on this matter with a full knowledge of all the circumstances brought to our notice in London, and the views taken of the proposed settlement by the interested parties there.

Notwithstanding, we have only this day received (the other occupation of the Ministers having prevented their replying sooner to our communications), and have been desired to communicate to you the announcement of the decision which the Government, after long and serious consideration, have arrived at, which is, that while deeply regretting that up to the present the negotiations have not had a successful issue, and taking due note of all the points urged by the Council, and of our explanations, they feel that in the last offer made by us in our letter of the 20th March, and supplemented with regard to the guarantee and ratification, by that of the 9th April, they have reached a point beyond which they cannot go, and therefore are quite unable to make any increase in the terms of that offer, nor to modify its conditions, as touching the arrears due by Turkey.

In the communication by which this decision of the Government is made known to us, we are desired to bring under your notice the following observations, which indicate, at least in part, the considerations which have brought about this conclusion. These considerations have for the most part, if not all, been already mentioned to you verbally, but we repeat them as required.

The Government have felt during the whole of these negotiations that their endeavours to arrive at a settlement of the question between the Principality and the Company by the method proposed have not been met by the Council in the same spirit of conciliation and desire of an amicable understanding as have animated them. This is evinced by the replies given to the offers made. The Council have always avoided stating such figures as might have enabled the Government to gain a knowledge of the total amount which they (the Council) would have supported before the shareholders as being acceptable, although the negotiations are altogether without prejudice, but, on the contrary, have shown an indifference and an aversion to turn aside from what they

consider the Company's rights, which were far from indicating a desire to settle this matter by mutual concessions.

In the Council's letter of the 2nd May our last proposal is termed inadequate, and the Government are invited to amend it and render it "acceptable and more in accordance with the just expectations of the shareholders." A continuation of this mode of procedure will raise the expectations of the shareholders so high, that the Government of Bulgaria will find it utterly impossible to follow them.

In short, the Government consider that the action of the Council in these negotiations has been such that the only conclusion that can be drawn is they do not desire the settlement of the pending question on the lines proposed by the Government.

As regards the amount we have offered for the purchase of the line, if the real cost of its construction, comprising its plant and rolling-stock, be taken as a basis, and this is the only basis the Government can admit, the amount in question provides fully for all interest due by Bulgaria on that sum up to the present time, as well as for the original.

From the point of view of the Government, therefore, a further advance in the terms of the offer cannot be justified, neither by equity—the real cost of the line and the interest on it being covered—nor by the present condition of the line and its rolling-stock, nor yet by the unimportant services which it renders to the local commerce and communications; above all, the public opinion of the country is completely opposed to such a measure, and, having regard to the crushing weight of the whole of the obligations imposed upon the young Principality, the Government cannot feel itself authorized to amend its last proposal in any way.

Moreover, the interests even of the Company itself demand that the Government, in this arrangement, should not go beyond the limits of a prudent and strict calculation of their means, because any hazardous action on their part will inevitably produce one of two results:—(1) That the settlement will risk not being approved of by the National Assembly; and (2) that in the future it may be impossible, through insufficiency of means, for the Government to fulfil the conditions regularly.

The obligations imposed on Bulgaria are so many and so heavy that they far surpass its present resources. It therefore follows that if the Government of Bulgaria does not use all its efforts to obtain such reasonable limitations as are possible, and keep the whole of the burdens imposed in view, in the apportionment of the means at their disposal, for the satisfaction of all the obligations of the Principality, financial difficulties will not fail to be speedily produced, and it will become impossible for Bulgaria to accomplish the development expected of her, or even to fulfil equitably her engagements.

Such prospects are not of a nature to satisfy either the country, its protecting powers, nor even its creditors themselves; and the Government are convinced that, with respect to the Company, they have offered all that is in their power, and that any further concession on their part would be an act of injustice towards the country and towards all other claimants.

We are, therefore, charged to convey to you the decision of the Government as hereinbefore mentioned, and to add that, rather than accept the responsibility of an engagement which they do not see their way to carry out, they will prefer to have the question, jointly with the others touching obligations similarly imposed on the Principality, submitted to a Conference of the Great Powers.

We are required to recapitulate all the terms and conditions of the offer as they are understood by the Government, as follows:—

1. The amount for the purchase of the line is 50,000,000 fr.
2. From this amount there is to be retained for repairs the sum of 1,500,000 fr.
3. The remainder of the amount of 48,500,000 fr. will be paid:—
4. In cash, 6,000,000 fr.;
5. In bonds, 42,500,000 fr.;
6. The bonds to be accepted at par.
7. The regular payment of the interest and redemption fund will be guaranteed by the revenues of the Customs of the Principality.
8. The interest on the bonds shall be 6 per cent. per annum.
9. The interest on the bonds will commence to run from the date of the signature of the Provisional Agreement.
10. The line to be delivered over to the Government when the settlement shall have been approved of by the National Assembly, and freed from all engagements with the "Compagnie d'Exploitation."

11. Over and above the other rights pertaining to the Company touching the railway and its working, the Company's rights to the interest due by Turkey from 1875 to the 3rd August, 1878, are also ceded the Government of Bulgaria.
12. The whole arrangement will be submitted for approval to the National Assembly, without which approval it will become null and void.

An arrangement based on the above terms and conditions will be agreed to by our Government, if it is accepted by the Company before the end of the present year.

Such are, Gentlemen, the observations, which, by order of the Government, we bring to your notice, so that there may not be the least doubt of their intention regarding the important question; and we are, &c.

Yours faithfully,
(Signed) N. S. STOÏTCHOFF.
THOS. HARROWER.

Inclosure 2 in No. 59.

M. Tsanow to MM. Mavrogordato and Sechiari.

Gentlemen, *Sophia, August* 14 (26), 1884.

THE Princely Government having, through the delegates of the preceding Ministry, made certain offers to the Varna-Rustchuk Railway Company for the repurchase of the line, offers contained in a series of letters, the last of which is dated the 30th May, 1884, and these offers remaining open for the Company to accept till the end of the year, the Ministry finding it impossible to sign a contract, as you invite them to do in your letter of the 15th August, without having first received the authorization of the Chamber, undertakes to bring the question before the National Assembly immediately after the opening of the next Session, and having obtained the necessary authorization they will advise the Company of it in order to proceed to a definitive agreement and to the signing of the contract.

(Signed) TSANOW

No. 60.

Earl Granville to Sir E. Thornton.

(No. 69. Commercial.)
(Telegraphic.) *Foreign Office, November* 15, 1884, 5·35 P.M.

POINT out to Russian Government that if Bulgarian Government does not carry out their present agreement with the Varna-Rustchuk Company a good opportunity will be lost of settling this troublesome question.

Suggest action at Sophia.

No. 61.

Sir E. Thornton to Earl Granville.—(Received November 24.)

(No. 116. Commercial.)
My Lord, *St. Petersburgh, November* 20, 1884.

WITH reference to your Lordship's Commercial telegram of the 15th instant, I have the honour to inform you that I took an opportunity of speaking to M. de Giers on the subject of agreement come to with the Varna-Rustchuk Railway Company, and urging that he should instruct the Russian Agent at Sophia to use his influence to induce the Bulgarian Government to carry out that agreement.

His Excellency replied that the Bulgarian Government were hard pressed on every side; that the country was not rich at this moment, though it might be hereafter; but that as it was desirable that arrangements should be made with regard to all her liabilities, he would instruct M. Koyander to endeavour to induce the Bulgarian Government to give effect to the agreement which had been arrived at.

His Excellency had, however, understood that the rolling-stock of the railway had been found to be in the most pitiable state, and that some delay had been caused

by the Bulgarian Government having insisted, as they were justified in doing, that this should be restored to a proper condition.

I have, &c.
(Signed) EDWD. THORNTON.

No. 62.

Earl Granville to Mr. Lascelles.

(No. 21. Commercial.)
Foreign Office, November 26, 1884.

Sir,

I TRANSMIT to you herewith, for your information, a copy of a despatch from Her Majesty's Ambassador at St. Petersburgh,[a] stating that the Russian Agent at Sophia will be instructed to use his influence with the Bulgarian Government to induce them to carry out the agreement come to with the Varna Railway Company.

I am, &c.
(Signed) GRANVILLE.

No. 63.

Lord E. Fitzmaurice to Mr. Pasco.

Foreign Office, November 26, 1884.

Sir,

I AM directed by Earl Granville to inform you that his Lordship has received a despatch from Her Majesty's Ambassador at St. Petersburgh, stating that, in compliance with a representation made by his Excellency, the Russian Agent at Sophia will be instructed to use his influence to promote the execution of the agreement come to between the Bulgarian Government and the Varna Railway Company.

I am, &c.
(Signed) EDMOND FITZMAURICE.

No. 64.

Mr. Lascelles to Earl Granville.—(Received December 6.)

(No. 34. Commercial.)
Sophia, November 26, 1884.

My Lord,

IN a conversation which I had yesterday with M. Tsanow, I reminded his Excellency of the promise contained in the letter which he had addressed on the 26th August to the delegates of the Varna-Rustchuk Railway Company, to the effect that the question of the Company's claims should be brought before the National Assembly, and I observed that although the Chamber had now been in Session for a month no mention had been made of this matter.

His Excellency replied that the Government had not forgotten the promise they had made, and that the matter would certainly be brought before the Chamber.

M. Tsanow went on to say that he had seen a Report of the meeting of the Varna-Rustchuk shareholders, at which M. Landau, who had been appointed last year as one of the delegates, but who had been unable, in consequence of ill-health, to come to Sophia, had said that he had been informed that if they only provided 50,000*l.* or 60,000*l.* to bribe the Ministry they would succeed. This, his Excellency said, was a libel on the Bulgarian Ministry, and he very much regretted that it should have been made by a gentleman in M. Landau's position.

I told M. Tsanow that I had seen the Report to which he alluded, and that I was very much surprised that M. Landau should have made such an accusation, which I was convinced was entirely without foundation. During the time I had been in Sophia, which was now nearly five years, a large number of Ministers had held office, and I was convinced that there was not one against whom such an accusation could be brought.

I have, &c.
(Signed) FRANK C. LASCELLES.

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[a] No. 61.

No. 65.

Mr. Pasco to Earl Granville.—(Received December 16.)

Varna Railway Company, Offices, 56, New Broad Street, London, December 15, 1884.

My Lord,

REFERRING to your Lordship's letter of the 12th, and likewise your subsequent letter of the 26th November, informing us that the Russian Government had the intention of instructing their Agent at Sophia to support the Company's claims, I am instructed to inform your Lordship that a telegram has been just received from M. P. Sechiari, one of the delegates, stating that the English and Russian Diplomatic Agents had not received any instructions from their respective Governments, that time pressed, and the matter was very urgent. The Board of this Company would feel much obliged, under the special circumstances of the Legislative Assembly being now in Session, and that the delegates are at Sophia, if your Lordship could kindly hasten the delivery of these instructions by telegraph or otherwise.

I have, &c.
(Signed) ROBT. PASCO, *Secretary.*

No. 66.

Lord E. Fitzmaurice to M. Landau.

Foreign Office, December 18, 1884.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 15th instant, and, in reply, I am to inform you that his Lordship is of opinion that the delegates of Varna Railway Company at Sophia must be in error in supposing that Mr. Lascelles has not received his instructions; they would at the latest have reached him early in the present month.

His Lordship also thinks it unlikely that M. Koyander should have failed to receive his instructions.

I am, &c.
(Signed) EDMOND FITZMAURICE.

No. 67.

Mr. Lascelles to Earl Granville.—(Received December 29.)

(No. . Commercial.)
Sophia, December 16, 1884.

My Lord,

I HAVE the honour to inclose a copy of a Green Book which has been presented to the Bulgarian Chamber with regard to the claims of the Varna-Rustchuk Railway Company.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 68.

Mr. Lascelles to Earl Granville.—(Received December 29.)

(No. 39. Commercial.)
Sophia, December 16, 1884.

My Lord,

IN obedience to the instructions contained in your Lordship's despatch No. 18, Confidential, of the 12th ultimo, which only reached me yesterday, I have this day informed M. Tsanow that Her Majesty's Government would be glad to learn that the question of the Varna-Rustchuk Railway Company's claims had been satisfactorily settled, and I asked him if any progress had been made since the arrival of the delegates of the Company about a week ago.

M. Tsanow replied that he was in hopes that the question would now be settled, and he told me that a Commission had been formed to discuss the question with the delegates.

The members of this Commission were now studying the papers connected with the case, but he thought that in two or three days they would be ready to meet the delegates.

I said that it appeared to me that the question had been already so fully discussed that the appointment of a new Commission was unnecessary, and I hoped that the object was not to cause further delay.

Messrs. Mavrogordato, Sechiari, and Dr. Clarke, the delegates of the Company, have informed me that they were disappointed to learn from M. Koyander, to whom I gave them a letter of introduction, that he had not yet received instructions to recommend the Bulgarian Government to carry out the Agreement which had been come to with the Company.

I took an opportunity this afternoon of speaking to M. Koyander on this subject, and he stated that, although his messenger had just arrived, he had not received instructions of the nature alluded to by M. Mavrogordato. I thereupon informed him that Her Majesty's Ambassador at St. Petersburgh had reported to your Lordship on the 20th ultimo that M. de Giers had promised to send the instructions, and I repeated to him the substance of the conversation reported by Sir Edward Thornton in his despatch No. 116, Commercial, of the 20th ultimo.

M. Koyander replied that he was well aware of the view taken by his Government of this question. They regarded it purely as a Bulgarian question, which they would be glad to see settled in an equitable manner, and he should have no hesitation, even without waiting for his instructions, to recommend the Bulgarian Government to come to an equitable arrangement. It would, however, be unfair to insist upon the Bulgarian Government fulfilling all its obligations if the Company were not also compelled to fulfil its obligations. As I understood M. Koyander to refer to the state of the line and the condition of the rolling-stock, I observed that the Company had received no interest on their capital for the last seven years, and it could not therefore be expected that they should expend large sums of money upon the line out of their own pockets. I understood that they were prepared to devote a portion of the purchase-money to the necessary repairs.

During this conversation M. Tsanow entered the room, and M. Koyander repeated to him what he had said with regard to the view taken by the Russian Government of the question, and said that he had no hesitation in recommending the Bulgarian Government to come to an equitable arrangement with the Company.

I have informed M. Mavrogordato of the substance of my conversation with M. Koyander.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 69.

Lord E. Fitzmaurice to Mr. Pasco.

Foreign Office, December 29, 1884.

Sir,

WITH reference to the letter from this Office of the 18th instant, I am directed by Earl Granville to acquaint you, for the information of the Varna Railway Company, that his Lordship has this day received a despatch from Her Majesty's Agent and Consul-General at Sophia further respecting the Company's claims and the progress of the negotiations now in course of progress with the Bulgarian Government.

Mr. Lascelles reports that, in reply to an inquiry addressed by him to M. Tsanow, that gentleman stated that he was in hopes the question would now be settled; and he informed Mr. Lascelles that a Commission had been formed to discuss the question with the delegates.

The members of this Commission were now studying the papers connected with the case; but he thought that in a few days they would be able to meet the delegates.

Mr. Lascelles replied that it appeared to him that the question had been already so fully discussed, that the appointment of a new Commission was unnecessary, and he hoped the object was not to cause further delay.

Mr. Lascelles goes on to say that, as he had been informed by the delegates of the Company that they had learned from M. Koyander that he had not received instructions from St. Petersburgh to recommend the Bulgarian Government to carry out the Agreement with the Company, he took an opportunity of speaking to M. Koyander on the subject on the 16th instant.

M. Koyander stated, in reply, that, although he had not received instructions of the nature referred to by M. Mavrogordato, he was, nevertheless, well aware of the view taken by his Government of this question. They regarded it as one purely appertaining to Bulgaria, which they would be glad to see settled in an equitable manner; and he should have no hesitation, even without waiting for his instructions, to recommend Bulgaria to come to an equitable arrangement. He said, however, it would be unfair to insist upon the Bulgarian Government fulfilling all its obligations if the Company were not also compelled to fulfil its obligations.

As Mr. Lascelles understood this remark to refer to the state of the line and the condition of the rolling-stock, he observed, in reply, that the Company had received no interest on their capital for the last seven years, and it could not therefore be expected that they should expend large sums of money upon the line out of their own pockets.

During this conversation M. Tsanow entered the room, and M. Koyander repeated to him what he had already said to Mr. Lascelles with regard to the view taken by the Russian Government of the question, and said that he had no hesitation in recommending the Bulgarian Government to come to an equitable arrangement with the Company.

I am, &c.
(Signed) EDMOND FITZMAURICE.

No. 70.

Mr. Wyndham to Earl Granville.—(Received January 1, 1885.)

(No. 281. Commercial.)

My Lord, *Constantinople, December 19, 1884.*

I HAVE the honour to state that Assim Pasha, Ottoman Minister for Foreign Affairs, has verbally informed me that my note to his Excellency of the 1st October last, copy of which was inclosed in my despatch to your Lordship No. 322, Commercial, of the same date, on the subject of the sum of 140,000*l.* due by the Imperial Government to the Varna-Rustchuk Railway Company, being the annual guarantee for the year 1874-75, has been translated into Turkish, and is about to be laid before the Grand Vizier.

Assim Pasha speaking, as he said, "académiquement," in reply to an observation from me that the Grand Vizier would probably fall back upon the time-worn argument, that the settlement of this claim comes under the operation of the Xth Article of the Treaty of Berlin, said that he thought Her Majesty's Government should press the Bulgarian Government to appoint a Delegate to the Commission contemplated by this Article, and his Excellency reiterated his opinion that nothing short of this appointment would facilitate the settlement of the Company's claim, although I pointed out to him that the particular question now under discussion, which is a special debt due by the Imperial Government to the Company, is entirely disconnected from the settlement of the outstanding accounts between the Porte and the Principality.

I have, &c.
(Signed) HUGH WYNDHAM.

No. 71.

Earl Granville to Mr. Wyndham.

(No. 2. Commercial.)

Sir, *Foreign Office, January 5, 1885.*

I HAVE to convey to you my approval of the language held by you in conversation with Assim Pasha in regard to the sum due by the Porte to the Varna Railway Company for the year 1874-75, as reported in your despatch No. 281, Commercial, of the 19th ultimo.

I am, &c.
(Signed) GRANVILLE.

No. 72.

Mr. Wollaston Blake to Earl Granville.—(*Received January* 19.)

Varna Railway Company, 56, New Broad Street, London, January 17, 1885.

My Lord,

AS Chairman of the Board of Directors of the Varna Railway, I address your Lordship under circumstances of great urgency in the affairs of that Company. The letter sent to your Lordship by the Secretary of this railway on the 8th November gave a résumé of the negotiations for the purchase of the line up to the definite acceptance of the last offer made by the Bulgarian delegates, and requested the assistance of the Foreign Office to insist that the Bulgarian Government should keep good faith with this Company, and urge the Legislature to ratify the offer made by the Executive Government, accepted by this Company, and recognized as binding by the present Ministry.

In the letter to this Company, dated the 26th November, your Lordship stated "that the Russian Agent at Sophia will be instructed to use his influence to promote the execution of the Agreement come to between the Bulgarian Government and the Varna Railway Company," and on the 29th December a Report was transmitted from the Foreign Office containing the purport of a despatch received that day from Mr. Lascelles, giving an account of an interview he had with M. Tsanow and the Russian Representative, M. Koyander, and I beg to refer especially to the observations then made by the latter.

On the faith of the position taken by the Russian Government, and the presumed active assistance to be derived from its Representative at Sophia, the delegates of the bond and share holders started a second time to that place to be present whilst the Legislature was sitting, and in the full belief and expectation that the tedious negotiations extending over six years would be brought to a final settlement by the offer made by that Government, and accepted by this Company, being ratified and legalized by the Bulgarian Legislature.

This Company's delegates have just returned, and they have addressed to me the following letter, which fully explains their views and the present critical position in which this most important matter now stands:—

"*London, January* 13, 1885.

"Dear Sir,

"It is our duty to inform you that we have returned from Sophia, after remaining there over a month.

"You are, of course, aware that we left England early in December last, with an assurance from the Foreign Office that Mr. Lascelles would be urged to do all he could to promote the execution of the Agreement which had been come to between the Bulgarian Government and the Varna Railway Company, and that instructions would be sent from St. Petersburgh to the Russian Agent at Sophia to the same effect, according to an arrangement which had been come to between the English Ambassador and M. Giers.

"We desire to say that Mr. Lascelles did all he could to help us, but the Russian Agent positively and persistently declared to the last day of our visit that he had received no instructions whatever, directly or indirectly, from his Government relating to the question. In consequence of the absence of any hint or pressure from Russia our visit was rendered a failure, and we had to return with our mission unaccomplished. We need not say that this has been a most grievous disappointment to us, as we fully relied upon the assurances of the Foreign Office. We do not consider that a single day should now be lost in ascertaining where the blame lies, and steps taken to remedy the mischief. We are of opinion that, if Russia could be induced to fulfil her promise of support, a settlement might be arrived at before the 31st, or, at all events, before the 13th February.

"We strongly urge you, therefore, to see Lord Granville at once and pray him to telegraph to St. Petersburgh, so that definite instructions (by telegraph) may be sent to the Russian Agent at Sophia.

"We beg to assure you that our visit to Sophia has convinced us that the influence of Russia is so absolute in Bulgaria that it is impossible to hope that anything can be done in this matter without her assistance, and though the Ministers in power see the advantage to Bulgaria of concluding the contract, yet the Deputies are indisposed to vote any such sum of money unless under her directly expressed wish and counsel.

"We would suggest you should humbly submit to Lord Granville that for more

than six years British subjects have been defrauded of their just claims on the most unwarrantable pretences, and that we consider it would be a great pity if, for want of a little pressure at this moment, the question should not be settled in an amicable manner, and have to be referred to the arbitration of the Signatory Powers of the Treaty of Berlin.

"We are, &c.

(Signed) "Thos. Clarke, M.D.
"P. Secchiari.

"To H. Wollaston Blake, Esq."

I can only add that the Council of the Varna Railway Company joins with the delegates in the expression of their urgent hope and prayer that your Lordship may accede to the wish expressed, and telegraph forthwith to St. Petersburgh in the sense indicated, and at the same time direct Mr. Lascelles to press the question in the most powerful manner on the Bulgarian Ministers, that it may be brought before the Legislature, with the intention of passing it during the present sitting.

I am, &c.

(Signed) H. WOLLASTON BLAKE, *Chairman.*

No. 73.

Earl Granville to Sir E. Thornton.

(No. 2. Commercial.)
(Telegraphic.) *Foreign Office, January* 20, 1885, 5·45 P.M.

YOUR despatch No. 116, Commercial: Company state that Russian Agent at Sophia is still without his instructions, and settlement impossible without them. Endeavour to get promised instructions sent without delay.

No. 74.

Earl Granville to Sir E. Thornton.

(No. 3. Commercial. Ext. 2.)

Foreign Office, January 20, 1885.

Sir,

WITH reference to your Excellency's despatch No. 116, Commercial, of the 20th November last, reporting that the Russian Minister for Foreign Affairs had promised to instruct the Russian Agent at Sophia to endeavour to induce the Bulgarian Government to give effect to the Agreement arrived at with the Varna Railway Company, I inclose, for your information, copies of a despatch from Mr. Lascelles and of a letter from the Company,* from which it appears that the promised instructions have not yet been received.

As it appears that it is unlikely that any progress will be made in this matter until the issue of the promised instructions from St. Petersburgh, I have to request your Excellency to endeavour to obtain their immediate dispatch.

I am, &c.

(Signed) GRANVILLE.

No. 75.

Earl Granville to Mr. Lascelles.

(No. 1. Commercial.)

Foreign Office, January 20, 1885.

Sir,

WITH reference to your despatch No. 30, Commercial, of the 16th ultimo, I transmit to you, for your information, copy of a letter from the Varna Railway Company.†

I have requested Her Majesty's Ambassador at St. Petersburgh to endeavour to obtain the immediate dispatch of the promised instructions to the Russian Agent at Sophia.

I am, &c.

(Signed) GRANVILLE.

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* Nos. 68 and 72.

† No. 72.

No. 76.

Lord E. Fitzmaurice to Mr. Wolleston Blake.

Foreign Office, January 20, 1885.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 17th ultimo on the subject of the claim of the Varna Railway Company, and, in reply, I am to state that his Lordship has instructed Her Majesty's Ambassador at St. Petersburgh to endeavour to obtain the immediate dispatch of the promised instructions to the Russian Agent at Sophia.

I am, &c.

(Signed) EDMOND FITZMAURICE.

No. 77.

Mr. Lascelles to Earl Granville.—(Received January 31.)

(No. 2. Commercial.)

Sophia, January 14, 1885.

My Lord,

WITH reference to my despatch No. 30, Commercial, of the 16th ultimo, I have the honour to report that MM. Mavrogordato, Sechiari, and Dr. Clarke, the delegates of the Varna-Rustchuk Railway Company, left Sophia on the 8th instant without having arrived at any definitive arrangement for the settlement of the claims of the Company.

The negotiations between the delegates and the Commission referred to in my above-mentioned despatch did not continue for long, as the demands of the Bulgarian Commissioners for the amount to be given for the repairs of the line were so exorbitant as to render an arrangement impossible. The delegates therefore broke off the negotiations, and applied to M. Tsanow for the fulfilment of the promise made by the Bulgarian Government to submit the question of the purchase of the line to the Chamber, and they have so far succeeded that the question has now been submitted to the Committee which has been formed to report upon the question of the construction of railways in Bulgaria.

I have the honour to inclose a copy of a correspondence which has passed between M. Tsanow and the delegates, and which was communicated to me by M. Mavrogordato on the evening before his departure from Sophia.

I shall not fail to report to your Lordship the action which the Chamber may take in this matter, but I am afraid that it is not likely to lead to a satisfactory settlement of the question, more especially as M. Karaveloff, the Prime Minister, in alluding to the subject in the Chamber, stated that he did not approve of the understanding come to by the late Government, which, in his opinion, offered a great deal too much for the purchase of the line.

I have, &c.

(Signed) FRANK C. LASCELLES.

Inclosure 1 in No. 77.

M. Tsanow to Messrs. Mavrogordato, Sechiari, and Dr. Clarke.

Sophia, le 26 Décembre, 1884 (7 Janvier, 1885).

MM. les Délégués,

POUR faire suite à ma lettre du 14 (26) Août dernier j'ai l'honneur de porter à votre connaissance que le Ministère par office, dont traduction ci-annexée, a saisi l'Assemblée Nationale de la question du Chemin de Fer Varna-Roustchouk, et que l'Assemblée, dans sa séance du 22 Décembre, 1884 (3 Janvier, 1885), a confié l'examen de cette question à la Commission Parlementaire compétente.

Je profite, &c.

(Signé) TSANOW.

Annexe.

M. le Président,

J'aime à croire que MM. les Députés ont pris connaissance de la "Correspondance relative au Chemin de Fer Varna-Roustchouk" qui lui a été distribuée, et qu'ils

y ont relevé le double point que, d'une part, l'ancien Ministère avait consenti à acheter la ligne Varna-Roustchouk pour la somme de 50,000,000 fr., et que d'autre part, le Cabinet actuel a refusé de procéder à l'entente définitive avant d'avoir obtenu les pleins pouvoirs nécessaires de l'Assemblée Nationale.

Or, considérant que d'après les négociations qui ont eu lieu l'année dernière et la présente année à Londres, entre la Compagnie et les Délégués du Gouvernement Princier, cette question, c'est-à-dire l'entente définitive, doit être terminée avant la fin de l'année courante, et comme les Délégués des parties intéressées—"shareholders" et "bondholders"—sont actuellement à Sophia et demandent une réponse définitive, je compte pour nécessaire de vous prier de vouloir bien me faire connaître si l'Assemblée Nationale consent à l'achat de cette ligne, et si elle autorise le Cabinet actuel à entrer en négociations avec les dits Délégués, lesquels, d'après ce que quelques entrevues ont fait pressentir, sont prêts à abandonner quelques-unes des conditions acceptées par le précédent Ministère.

Inclosure 2 in No. 77.

Messrs. Mavrogordato, Sechiari, and Dr. Clarke to M. Tsanow.

NOUS avons l'honneur d'accuser réception de votre communication du , par laquelle vous nous informez que la question du Chemin de Fer Varna-Roustchouk a été renvoyée par la Chambre à la Commission compétente pour l'étudier et faire son rapport.

Dans votre lettre à la Chambre vous faites mention de notre disposition à faire certaines concessions. Effectivement, si le contrat était conclu pendant notre séjour ici, nous étions décidés d'abandonner au nom de la Compagnie la garantie des Douanes, concédée par les Délégués à Londres. Cette concession, qui est de la plus grande importance pour la Bulgarie, nous nous efforcerons de faire confirmer par la Compagnie lors du réglement définitif du contrat.

La question étant au reste de notre part suffisamment éclaircie pendant les débats survenus directement entre nous, et dans le sein des deux Commissions nommées *ad hoc*—et l'ensemble de l'arrangement sur lequel la Chambre aura à se prononcer vous étant parfaitement précisé—nous croyons que notre présence ici n'est plus nécessaire, et nous nous proposons de partir pour Londres et y attendre le résultat du vote de la Chambre, persuadés qu'une fois éclairés sur le fond de la question et sur les avantages que l'arrangement proposé présente pour les vrais intérêts du pays, les Députés ne manqueraient pas à y donner leur sanction. Pour les aider à arriver à une conclusion avec connaissance de cause, nous avons préparé un Mémoire qui présente une vue générale de la question en résumé, et nous vous prions de vouloir bien le faire traduire et présenter aux membres du Parlement avec le dossier.

Dans le cas où la Chambre aura donné sa sanction, nous vous prions d'envoyer un Délégué à Londres, avec pleins pouvoirs, qui aura, avec l'aide de son conseil légal, et de concert avec le nôtre, à procéder à la rédaction du contrat définitif.

Il est essentiel de constater que le contrat passé entre nous et la Société d'Exploitation pour le rachat du bail ayant expiré au 31 Décembre, nous avons pu obtenir sa prolongation jusqu'au 31 Janvier courant, date à laquelle notre Compagnie est tenue de déclarer officiellement la confirmation du contrat, autrement il devient nul et non avenu. Vu l'importance de cette date du 31 Janvier, il sera nécessaire que le vote de la Chambre, et toutes les questions qui sont du fond du contrat à intervenir entre nous soient définitivement réglées, pour que notre Compagnie puisse être à même de faire sa déclaration de confirmation à la Compagnie d'Exploitation. Par conséquent, vous voudrez bien, M. le Ministre, nous communiquer par dépêche, dès que la Chambre aura passé le vote, pour ne pas manquer de fixer l'affaire en temps utile.

Dans le cas contraire, vous prendrez sans doute toutes les mesures nécessaires pour faire présenter la question aux Ambassadeurs des Puissances à Constantinople pour se prononcer sur l'interprétation à donner à l'Article X du Traité de Berlin: la Compagnie ne manquera pas de sa part à faire les démarches nécessaires à cet effet.

No. 78.

Sir E. Thornton to Earl Granville.—(Received February 2.)

(No. 11. Commercial.)

My Lord, *St. Petersburgh, January 26, 1885.*

ON the day on which I had the honour to receive your Lordship's telegram of the 20th instant relating to the Varna-Rustchuk Railway I called upon M. de Giers, and reminded him of the promise which he had made me in November last, as reported in my despatch No. 116, Commercial, and of the 20th of that month, that instructions should be sent to the Russian Agent at Sophia to urge the Bulgarian Government to carry out the Agreement which had been arrived at with the Company.

His Excellency, after consulting the papers upon this subject, informed me that, in the first place, when the delegates were sent to England by the Bulgarian Government, with instructions to endeavour to come to an arrangement with the shareholders, he had directed the Russian Representative at Sophia to impress upon the Bulgarian Government the expediency of offering such terms as could be accepted by the Company, and that subsequently, after I had spoken to him upon the subject in November last, he had again instructed M. Koyander to endeavour to induce the Bulgarian Government to carry out what had been agreed upon.

Subsequent reports, however, from M. Koyander, had shown that there were disputes between the Bulgarian Government and the shareholders upon details with regard to which he did not consider himself justified in interfering.

It was stated that both the railway and the rolling-stock were in so bad a condition that they required extensive repairs and renovation. A sum of 1,500,000 fr. had been proposed for this purpose, but it was found that 7,000,000 fr. would not be more than sufficient.

It was also asserted by the Bulgarian Government that certain conditions of the original contract with the Porte had not been complied with.

Upon these points the shareholders and the Bulgarian Government were at variance, and his Excellency did not think that he would be justified in instructing M. Koyander to enter into the details of the questions at issue, or to give an opinion as to their merits.

I have, &c.
(Signed) EDWD. THORNTON.

No. 79.

Lord E. Fitzmaurice to Mr. Lascelles.

(No. 3. Commercial.)

Sir, *Foreign Office, February 18, 1885.*

I AM directed by Earl Granville to inclose, for your information, a copy of a despatch from Her Majesty's Ambassador at St. Petersburgh,* reporting the reasons for which the Russian Government has been unable to instruct M. de Koyander to endeavour to obtain the confirmation of the Agreement come to between the Varna Railway Company and the Bulgarian Government.

I am to add that the substance of the above-mentioned despatch has been communicated to the Company.

I am, &c.
(Signed) EDMOND FITZMAURICE.

No. 80.

Lord E. Fitzmaurice to Mr. Pasco.

Sir, *Foreign Office, February 18, 1885.*

YOU are already aware that Her Majesty's Ambassador at St. Petersburgh had been informed by the Russian Government that they would instruct their Agent at Sophia to use his influence with the Bulgarian Government to obtain the confirmation of the Agreement come to with the Varna Railway Company, but Sir E. Thornton has

* No. 78.

now been informed by M. de Giers that he had been unable to send such instructions as he had learnt; that there were some details, such as the state of the line, which were still unsettled between the Company and the Bulgarian Government, and he could not therefore ask M. de Koyander to discuss the points at issue, or to give an opinion as to their merits.

I am, &c.
(Signed) EDMOND FITZMAURICE.

No. 81.

Mr. Lascelles to Earl Granville.—(Received March 9.)

(No. 4. Commercial.)

My Lord, *Sophia, February 23, 1885.*

ON the last day of the Session the Bulgarian Chamber, in a secret sitting, discussed the question of the claims of the Varna-Rustchuk Railway Company. I am informed that M. Karaveloff, the Prime Minister, in bringing forward the question, stated that the offer made to the Company by M. Zancoff's Ministry was, in his opinion, a great deal too high, and that he considered that the basis for further negotiations should be the real value of the line, which the Government had proof was much less than the nominal value. His Excellency also stated that the Government had proof that the line had not been constructed in accordance with the provisions of the "Cahier des Charges." His Excellency added that he was not in a hurry, and was not afraid of the Conference. The Chamber thereupon decided that the arrangement made with the Company by the previous Ministry should not be accepted, and that the Government should be authorized to continue negotiations with the Company on the basis of the real value of the line, and, if such negotiations failed, to submit the question to a Conference. If an arrangement should be come to, it would be necessary to submit it to the Chamber for their sanction.

I have told M. Tsanow that I greatly regretted this decision of the Chamber, and that I presumed that the action of Her Majesty's Government (which had been suspended in the hopes of an amicable arrangement being come to) would now be resumed.

His Excellency having expressed the hope that the negotiations might still continue, I replied that I should be very glad if such were the case, but that I could hardly suppose that the Company would consent. I reminded his Excellency that the Company had received a promise from the Government that the question should be submitted to the Chamber immediately after its opening, and the Company certainly understood that the Government would support the measure they undertook to submit. Now, the question had not been brought forward until the last day of the Session, and the Prime Minister had spoken against it. I could not believe that the Company, after having been treated in such a manner, should continue negotiations, more especially as any arrangement they might come to would again have to be submitted to the Chamber.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 82.

Lord E. Fitzmaurice to Mr. Pasco.

Sir, *Foreign Office, March 11, 1885.*

I AM directed by Earl Granville to state to you, for the information of the Varna Railway Company, that his Lordship has received a despatch from Her Majesty's Agent and Consul-General in Bulgaria, dated the 23rd ultimo, reporting that M. Karaveloff, the Prime Minister of the Principality, had, in bringing before the Bulgarian Chamber, on the last day of the Session, the question of the Company's claims, stated that the offer made to the latter by M. Zancoff's Ministry was, in his opinion, a great deal too high; and that he considered that the basis for further negotiations should be the real value of the line, which, he alleged, the Government had proof was much less than the nominal value. His Excellency also stated that the

Government had proof that the line had not been constructed in accordance with th provisions of the "Cahier des Charges."

The Chamber thereupon decided that the arrangement made with the Company by the previous Ministry should not be accepted, and that the Government should be authorized to continue negotiations with the Company on the basis of the real value of the line, and, if such negotiations failed, to submit the question to a Conference. If an arrangement should be come to, it was decided that it would be necessary to submit it to the Chamber for their sanction.

I am, &c.
(Signed) EDMOND FITZMAURICE.

No. 83.

Mr. Lascelles to Earl Granville.—(*Received March* 18.)

(No. 7. Commercial.)

Sophia, March 8, 1885.

My Lord,

M. TSANOW called upon me a few days ago, and gave me a translation in French (of which I have the honour to inclose a copy) of the Resolution passed by the Bulgarian Chamber with regard to the negotiations between the Bulgarian Government and the Varna-Rustchuk Railway Company. His Excellency also communicated to me the proposals which the Bulgarian Government had now made to the Company for the purchase of the line. I have the honour to inclose a copy of these proposals, which consist of an offer to buy the line for 43,000,000 fr. instead of 48,500,000 fr., which was the sum agreed to between the Company and the previous Ministry; 6,000,000 fr. are to be paid in cash on the 1st (13th) July next, and the remainder in bonds issued at par at 6 per cent. interest per annum. The interest is to run from the 1st (13th) January, 1885, so that on the 1st (13th) July a sum of 1,110,000 fr. would be payable to the Company in addition to the 6,000,000 fr.

The Government propose to enter into possession of the line on the 1st (13th) July of the present year, and as the arrangement requires to be sanctioned by the Chamber, it would be necessary to submit it during the Extraordinary Session which will be held to consider the arrangements for the construction of the Tsaribrod-Vakarel line, and which, I understand, is likely to take place in the latter part of May or the beginning of June.

I told M. Tsanow that I could not express an opinion upon any proposals which the Bulgarian Government might make to the Company, and I could only hope that the matter might be arranged without any further interference on the part of Her Majesty's Government.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure 1 in No. 83.

Résolution of Chamber.

LES négociations préliminaires qui ont eu lieu entre les deux parties (la Compagnie et le Gouvernement) pour le rachat de la voie ferrée Varna-Roustchouk ne sont pas approuvées.

2. Le Cabinet actuel est chargé de s'entendre avec la Compagnie pour le rachat de la dite voie ferrée, mais il doit se baser sur la valeur réelle de la ligne en question.

3. Les négociations préliminaires qui auront lieu entre le Gouvernement et la Compagnie ne pourront avoir de force légale qu'après l'approbation de l'Assemblée Nationale dans sa Session la plus proche.

Inclosure 2 in No. 83.

Propositals of Bulgarian Government.

LA Compagnie de la ligne Varna-Roustchouk vend au Gouvernement Princier en toute propriété et libre de tout bail, dette, ou engagement, toute la ligne avec ses

stations, constructions, dépendances, matériel fixe et roulant et autres se trouvant actuellement sur le territoire Bulgare et dans leur état actuel.

Elle se dédit en même temps de toutes ses réclamations envers le Gouvernement Princier et lui cède les arriérés Turcs à partir du 30 Juin, 1875, jusqu'à la date du Traité de Berlin, tous les Actes de Concession, titres de propriété, &c., ainsi que tous les droits acquis par elle, de manière à ce que le Gouvernement Princier soit substitué sous le rapport de tous ces droits et privilèges à la Compagnie.

Le Gouvernement Princier entrera en possession et jouissance de la ligne le 1er (13) Juillet, 1885.

Comme prix d'achat de la ligne, et comme indemnité pour tous les droits, privilèges, créances, et réclamations cédés par la Compagnie, comme il a été dit ci-dessus, le Gouvernement Princier s'engage à payer à la Compagnie la somme de 43,000,000 fr., ou 1,720,000*l*.

Sur cette somme 6,000,000 fr. seront versés en numéraire le 1er (13) Juillet, 1885, et le reste, soit 37,000,000 fr., en obligations d'État portant intérêt 6 pour cent par an et émises au pair.

Les intérêts des obligations commenceront à courir à partir du 1er (13) Janvier, 1885. Ils seront payables par semestre, le 1er (13) Janvier et 1er (13) Juillet.

Le taux de l'amortissement est fixé à 1 pour cent par an; cet amortissement sera effectué au moyen de tirages semestriels.

Le Gouvernement Princier se réserve le droit de retirer à toute époque toutes les obligations non amorties ou une partie de ces obligations en les remboursant au pair.

Le paiement des intérêts et de l'amortissement des obligations est garanti par les revenus généraux de la Bulgarie.

A partir du jour où la somme convenue sera payée en numéraire et obligations, le Gouvernement Princier ne reconnaîtra plus que les porteurs d'obligations et la Compagnie cessera son existence légale à son égard.

No. 84.

Lord E. Fitzmaurice to Mr. Pusco.

Foreign Office, March 19, 1885.

Sir,

I AM directed by Earl Granville to inform you that Her Majesty's Agent and Consul-General at Sophia has reported to his Lordship that the Bulgarian Government have communicated to him the new proposals put forward by them for the purchase of the Varna and Rustchuk Railway. Mr. Lascelles understood that these proposals are already known to their Company, and he was informed that if accepted they would be submitted to the Chambers at their Extraordinary Session in May or June next.

I am, &c.
(Signed) EDMOND FITZMAURICE.

No. 85.

Mr. H. Smith to the Marquis of Salisbury.—(*Received July* 13.)

Offices of the Varna Railway Bondholders' Committee,
19, *Bishopsgate Street Within, London, July* 11, 1885.

My Lord Marquis,

WE have the honour to transmit, for your Lordship's information, copy of the Report of the Varna Railway Bondholders' Committee, together with statement of their delegates who have returned from Sophia, and we humbly and particularly draw your Lordship's attention to the despatch from Lord Edmond Fitzmaurice, dated the 26th November, 1884, upon which we caused the delegates to proceed to Sophia for the second time, but to the latter's great disappointment the Russian Agent at Sophia distinctly declared that he had received no instructions from his Government, and though the delegates waited at Sophia for upwards of six weeks for these instructions, they were not forthcoming, and their mission proved accordingly, like the former one, fruitless.

On the delegates' return this matter was inquired into by the Department over which your Lordship presides, which resulted in the receipt of a despatch by the

Company, dated the 18th February, 1885. In annexing copies of these two despatches, we beg humbly to point out that the Russian Government was fully aware of the conditions contained in the offer made by the Bulgarian Government under M. Zankoff, the confirmation of which they promised to urge upon the present Bulgarian Government, and that one of the conditions of that Agreement was, that a gross sum of 1,500,000 fr. should be deducted from the purchase-money (50,000,000 fr.), in full satisfaction of all necessary repairs to the line, stations, and rolling-stock; consequently, we are at a loss to understand the last communication from St. Petersburgh.

We would most respectfully beg your Lordship to take such steps on behalf of the long-suffering creditors of the Bulgarian Government as will bring about a speedy settlement of their just claims. The matter is of considerable importance, involving, as it does, a capital not short of 3,000,000*l.*, held chiefly in this country.

(By order of the Committee),

I have, &c.

(Signed) HENRY H. SMITH, *Secretary.*

N.B.—We hope you will see fit to direct that a copy of our Report be sent to each of the Powers Signatories of the Treaty of Berlin.

Inclosure 1 in No. 85.

Lord E. Fitzmaurice to Mr. Pasco.

Foreign Office, November 26, 1884.

Sir,

I AM directed by Earl Granville to inform you that his Lordship has received a despatch from Her Majesty's Ambassador at St. Petersburgh, stating that, in compliance with a representation made by his Excellency, the Russian Agent at Sophia will be instructed to use his influence to promote the execution of the Agreement come to between the Bulgarian Government and the Varna Railway Company.

I am, &c.

(Signed) EDMOND FITZMAURICE.

Inclosure 2 in No. 85.

Lord E. Fitzmaurice to Mr. Pasco.

Foreign Office, February 18, 1885.

Sir,

YOU are already aware that Her Majesty's Ambassador at St. Petersburgh has been informed by the Russian Government that they would instruct their Agent at Sophia to use his influence with the Bulgarian Government to obtain the confirmation of the Agreement come to with the Varna Railway Company, but Sir E. Thornton has now been informed by M. de Giers that he had been unable to send such instructions, as he had learnt that there were some details, such as the state of the line, which were still unsettled between the Company and the Bulgarian Government, and he could not, therefore, ask M. de Koyander to discuss the points at issue, or give an opinion as to their merits.

I am, &c.

(Signed) EDMOND FITZMAURICE.

No. 86.

The Marquis of Salisbury to Mr. Lascelles.

(No. 10. Commercial.)

Foreign Office, July 18, 1885.

Sir,

I INCLOSE, for your information, a copy of a letter from the Varna Railway Bondholders' Committee,* and of the reply I have caused to be addressed to them.† I have to request you to mention the claims of the Company to the Bulgarian Minister

* No. 85.

† No. 87.

for Foreign Affairs, and ascertain what prospect there is of an arrangement being come to.

I am, &c.

(Signed) SALISBURY.

No. 87.

Mr. Bourke to Mr. H. Smith.

Foreign Office, July 18, 1885.

Sir,

I AM directed by the Marquis of Salisbury to acknowledge the receipt of your letter of the 11th instant. In reply, I am to state that his Lordship cannot undertake to send the Report you inclose to the Powers parties to the Treaty of Berlin, but that he has forwarded copies to Her Majesty's Agent and Consul-General at Sophia.

Lord Salisbury does not understand from your above-mentioned letter whether the Company is still negotiating directly with the Bulgarian Government, or whether his Lordship is to consider that these direct negotiations are at an end.

I am, &c.

(Signed) ROBERT BOURKE.

No. 88.

Mr. Blake to the Marquis of Salisbury.—(Received July 21.)

The Varna Railway Company, Offices, 56, *New Broad Street, London, July* 20, 1885.

My Lord Marquis,

I HAVE been requested, as Chairman of the Council of the Varna Railway Company, to represent to your Lordship the position in which the Council are now placed *vis-à-vis* the Bulgarian Government, and to ask your Lordship to bring the power of Her Majesty's Government to bear, in order to enforce the performance of the obligations imposed on Bulgaria by Article X of the Treaty of Berlin.

I will not enter into any details of the fruitless endeavours of this Company, commencing soon after the date of the above Treaty, viz., the 13th July, 1878, to obtain the payments due to it from Bulgaria; but all efforts to procure a recognition of their rights having failed, it was proposed in 1882 to refer the question, as to what the Company's rights were under the Treaty, to the Ambassadors of the Signatory Powers, and a form of Agreement as to the arbitration was drawn up by Her Majesty's Government. The details of these negotiations are fully set forth in the Blue Book No. 13 issued in 1884, commencing at No. 123, in August 1882. Numerous objections were raised by Bulgaria, and great delays arose. The history of these vexatious proceedings are forcibly and clearly set forth in Lord Granville's despatch of the 13th October, 1883 (No. 167 of the Blue Book), to which I crave your Lordship's attention. This brought a reply from the Bulgarian Government (No. 184, dated the 30th November, 1883), in which they professed to "repair any injustice on their part in a manner equitable and definitive," and proposed to purchase the Varna line. The Council of this line (in reply to an inquiry from Lord Granville) stated, on the 6th November, 1883 (No. 172), that they were prepared to accept the proposal of the Bulgarian Government to treat directly with them, but without prejudice to their rights under the Treaty of Berlin, nor to the existing engagements made with Her Majesty's Government as to arbitration.

Mr. Lascelles, in his despatch No. 184 of the 1st December, 1883, after alluding to the "painful impression produced on the Bulgarian Government" by Lord Granville's despatch of the 13th October, 1883, adds, that M. Balabanoff had pointed out the advantages of a direct understanding with the Company; that two Bulgarian delegates had been dispatched to negotiate the purchase of the line; that the Government had a "firm and sincere desire to arrive at a definitive solution of the question;" that "any injustice committed by Bulgaria would be remedied in an equitable manner;" and, finally, that the "purchase of the line was considered by the Bulgarian Government as more practicable, and more in conformity with the interests of both parties, than the decision of Arbitrators, or of a Conference to be convoked upon an Article of the Treaty of Berlin."

Under these circumstances, the delegates arrived in London. Negotiations commenced with the Council of the Varna Railway. The Company, for the sake of arriving at an amicable and definitive understanding, made, without prejudice, enormous sacrifices of their just rights and pecuniary claims, and finally accepted the delegates' offer for the purchase of the railway for 50,000,000 fr., less the sum of 1,500,000 fr. for the restoration of the line, which the Government took upon themselves, leaving the net sum payable to the Company 48,500,000 fr. To arrive at this settlement the Company gave up arrears of interest due from Bulgaria under the Treaty of Berlin, exceeding 800,000*l.*; they also ceded Turkish arrears of interest from July 1875 to August 1878 (an asset of value to Bulgaria), and freed the line, by payment of a large indemnity, from its working lease, to the "Société d'Exploitation."

Your Lordship will perceive that the Company went to the extreme limit of concession to arrive at a settlement of this long-pending and important question, and they did so in the belief that a prompt solution would be reached, and the purchase-money paid in the manner stipulated, viz., only 6,000,000 fr. in cash, the balance (42,500,000 fr.) in Bulgarian bonds. But again these hopes were doomed to disappointment. Three delegates, appointed in England by the Council and by the bond and share holders, proceeded to Sophia to arrange details and obtain the execution of this contract. In the meantime, the Zancoff Ministry, who had proposed and concluded the above Agreement, had fallen, and the Karaveloff Ministry, who succeeded them, declined to carry out the contract arranged by their predecessors without first obtaining the sanction of the Chamber who met last autumn.

The English delegates went a second time to Sophia, believing that, with the assistance of the Russian Government, as indicated in Lord Edmond Fitzmaurice's letter to the Varna Company of the 26th November, 1884, coupled with pressure brought to bear upon the Bulgarian Minister by Her Majesty's Government to carry out in its integrity an Agreement commenced and concluded in England under the auspices and with the sanction of the Foreign Office, their mission would be successful.

The Karaveloff Ministry, however, brought the Agreement before the Chamber, not with the view of getting it sanctioned, but to obtain authority to recommence negotiations and purchase the line on lower terms; and they then offered 43,000,000 fr., and all overdue interest to be waived by the Company for seven years, or a surrender by the bond and share holders of their rights, under the Treaty of Berlin, of 980,000*l.* This offer has been declined.

On behalf, therefore, of the Council of Administration, and of the bond and share holders representing cash claims exceeding 3,000,000*l.*, I appeal to your Lordship to take up this question with a strong hand, and, by convening a Conference of the Signatory Powers at once, as intimated by Lord Granville in October 1883, or by such other steps as may seem most expedient and decisive, not to permit the Bulgarian Government to ignore any longer the provisions of the Treaty of Berlin, and to set them at defiance, thereby inflicting the gravest injury on British subjects whose money has been invested in a railway which confers great benefits to the State of Bulgaria, both in a commercial and strategic point of view.

I beg also to submit, for your Lordship's consideration, that a demand should be made, as stated in the last paragraph of the Foreign Office despatch of the 13th October, 1883, for some immediate and substantial payment by Bulgaria on account of the annual subsidy, whatever be the amount which she believes and admits to be due to the Varna Company, with the object of relieving its financial embarrassment produced by these unprincipled delays, and of repairing partially the injustice that has been perpetrated.

I will only add, in conclusion, that I understand a communication has lately been addressed to your Lordship from a Committee of bond and share holders, who, although not possessing the powers legally conferred on the Council of Administration, nevertheless represent large interests in the Varna Railway, and have worked in harmony with the Council for the general good of the Company.

A comprehensive memoir has been drawn up by the English delegates, setting forth the history of the Varna Railway and of the late negotiations, copies of which have been transmitted to the Foreign Office, and is well worthy of attention.

I have, &c.
(Signed) H. WOLLASTON BLAKE, *Chairman.*

No. 89.

Mr. Bourke to Mr. Wollaston Blake.

Foreign Office, July 23, 1885.

Sir,

I AM directed by the Marquis of Salisbury to acknowledge the receipt of your letter of the 20th instant, reviewing the course of events in the past few years with regard to the claim of the Varna Railway Company against the Bulgarian Government under the Xth Article of the Treaty of Berlin, and concluding with a request that steps should now be taken by Her Majesty's Government to convene a Conference of the Signatory Powers to that Treaty, and also that the Bulgarian Government should be pressed to make a payment to the Company on account at once.

In reply, I am to request that you will inform the Chairman of the Council of the Company that the representations contained in your letter shall receive careful attention, and that his Lordship will consider what steps can properly be taken in the interests of the Varna Railway Company.

I am, &c.
(Signed) ROBERT BOURKE.

No. 90.

Mr. H. Smith to the Marquis of Salisbury.—(Received July 25.)

Offices of the Varna Railway Bondholders' Committee,
19, Bishopsgate Street Within, London, July 23, 1885.

My Lord Marquis,

I AM directed by the Committee to thank your Lordship for your despatch of the 18th instant, and to inform you that the last offer of the Bulgarian Government having been rejected, all negotiations are at an end.

The Committee sincerely trust your Lordship will accede to the prayer conveyed to you by the Chairman of the Company in his letter of the 20th instant.

I have, &c.
(Signed) HENRY H. SMITH, *Secretary.*

No. 91.

Memorandum by Mr. Farnall.

Article X of the Treaty of Berlin is as follows:—

"La Bulgarie est substituée au Gouvernement Impérial Ottoman dans ses charges et obligations envers la Compagnie du Chemin de Fer de Roustchouk-Varna, à partir de l'échange des ratifications du présent Traité. Le réglement des comptes antérieurs est réservé à une entente entre la Sublime Porte, le Gouvernement de la Principauté et l'Administration de cette Compagnie.

"La Principauté de Bulgarie est de même substituée pour sa part aux engagements que la Sublime Porte a contractés tant envers l'Autriche-Hongrie qu'envers la Compagnie pour l'exploitation des chemins de fer de la Turquie d'Europe, par rapport à l'achèvement et au raccordement ainsi qu'à l'exploitation des lignes ferrées situées sur son territoire.

"Les Conventions nécessaires pour régler ces questions seront conclues entre l'Autriche-Hongrie, la Porte, la Serbie, et la Principauté de Bulgarie immédiatement après la conclusion de la paix."

The Minutes of the Congress of Berlin give no explanation of the Article.

The Ottoman documents regulating the Company show a concession for ninety-nine years, and guarantee an annual interest of 140,000*l.* for thirty-three years, 120,000*l.* for another thirty-three years, and 100,000*l.* for the remaining period, and show that the Porte recognized that the capital on which interest is guaranteed is 2,000,000*l.* The payments due the 30th June, 1875, and subsequently up to the date of the Treaty of Berlin, have not been paid; but the Porte has on various occasions acknowledged that the 140,000*l.* due June 1875 is payable by them, and have made inchoate arrangements for payment: no money has however been received, notwithstanding the continued efforts of Her Majesty's Representative at Constantinople.

The Porte maintains that this and the subsequent payments up to 1878 form the "comptes antérieurs" mentioned in the Xth Article of the Treaty. As matters now stand, the "comptes antérieurs," whatever that term may include, are to be referred to the Ambassadors at Constantinople, together with the amount of Bulgaria's liability under the Treaty.

The claims of the Company on Bulgaria have continually occupied the attention of Her Majesty's Government; but in pressing on the Bulgarian Government the necessity of executing the provisions of the Treaty, which appeared to them to put the rights of the Company beyond dispute, they have always shown the greatest readiness to make allowance for the difficulties, both administrative and financial, with which the Bulgarian State may have had to contend. They have, however, been reluctantly forced to the conclusion that the indulgence thus shown has been met on the part of the Principality, not, as was to be hoped, by an increased desire to carry out the wishes of Her Majesty's Government and its own obligations so far as circumstances permitted, but, on the contrary, by unnecessary delays, and by proposals which it was at all times evident must, if accepted, have the result of still further postponing a settlement.

The negotiations for settling the manner of the arbitration are summarized as follows in a despatch to Mr. Lascelles:—

"The first difficulty raised in the matter concerned the original documents deposited at the Porte, showing the obligations contracted towards the Company by the Ottoman Government, which obligations passed to Bulgaria from the date of the ratification of the Treaty of Berlin. For obvious reasons, the Company could not part with the duplicate originals in their possession; and so, in August 1879, the Bulgarian Minister for Foreign Affairs gave to Her Majesty's Agent and Consul-General the assurance that authenticated French translations of the documents held by the Company would be accepted as a sufficient basis for examination and action. These translations were duly furnished; but in May 1880 the Bulgarian Government, although the existence of the arrangement was not denied, reverted to their original demand, and refused to proceed without the documents held by the Porte.

"In the early part of 1881 the Government of the Principality offered a composition to the Company, but, as the amount offered was but slightly over one quarter of what had been due from the Porte, it was not accepted. It thus appeared that the Bulgarian Government admitted a liability towards the Company, although they disputed the amount claimed; and the Company therefore proposed that the matter should be referred for settlement to the Ambassadors at Constantinople of the Signatory Powers of the Treaty of Berlin.

"By a note dated 13th May, 1881, this proposal was accepted by Bulgaria; and on the 28th June Her Majesty's Government submitted to the Prince's Government the bases proposed by the Company for the reference. Although they repeatedly pressed for an answer none was vouchsafed till the 3rd September, 1881, when M. Voulcovitch stated that the reference must be on the basis of the value of the shares at the time the Treaty transferred the obligations incurred by Turkey from that country to Bulgaria; but, owing to the uncertainty which then prevailed as to the future position of the Company, and the failure of the Porte to meet its obligations on account of the war, that value was almost nothing, and the Company could not have been expected to accept it; moreover, it could not have been seriously intended to trouble the Ambassadors with a reference on such a basis, as it would have reduced their functions to the mere ascertaining of the Stock Exchange value of the shares at the time specified, and the calculation of 7 per cent. on the amount so found.

"It should here be noted that the Bulgarian Government took a most ungenerous view of the offer thus made by the Company, in that they endeavoured to show that, by offering to submit the points in discussion to arbitration, the Company had practically admitted that their rights were open to discussion. It is, however, needless to observe that, if such a deduction were admitted to be legitimate, every party who proposed arbitration, though solely to obtain a peaceful and speedy settlement of a difference, would go before the arbiters with a damaged case, whereas the very fact of making such a proposal should be taken rather as a presumption in favour of the soundness of his contention.

"The further offer by Bulgaria to take as basis the settlement made or to be made by Turkey with the holders of her bonds was as little likely to be accepted by the Company.

"The refusal of the conditions thus unreasonably proposed by Bulgaria was communicated to her Government by you on the 15th October, 1881. Vexatious delay again occurred, and it was not till the 21st February, 1882, that the Bulgarian Government replied to this note. The reply was in itself satisfactory; the proposed reference was accepted unreservedly, saving only two conditions, which were immediately accepted, although the delay of six months stipulated by Bulgaria for her Agents to study the question was unnecessarily long, considering the time the matter had already been under discussion.

"When, however, the draft of a despatch by which Her Majesty's Government proposed to ask the Powers concerned to permit their Ambassadors to act was submitted to the Bulgarian Government, the latter insisted that the 'previous accounts,' mentioned in the second paragraph of the Xth Article of the Treaty, should be withdrawn from the cognizance of the arbitration. This Her Majesty's Government consented to do. In order to avoid all misunderstanding, a draft Agreement was prepared regulating the *modus* of the reference, embodying the wishes of the Bulgarian Government on this and other points; but Her Majesty's Government were surprised and pained to find that the Bulgarian Government, notwithstanding their acceptance of arbitration with no other conditions than the two already referred to, now required, in addition, that Turkey should be represented at the Conference, that the award, to be binding, must be unanimous, and that the 'previous accounts,' which had been withdrawn from the scheme at their request less than three months before, should be included in it. The probability of obtaining absolute unanimity in a case involving a question of amount must always be small, and Her Majesty's Government, seeing the attitude of the Principality throughout these negotiations, can but conclude that it must have been evident to those who put forward this unprecedented condition that it would render a binding award next to unattainable.

"The last proposals of Her Majesty's Government meet every legitimate wish of the Bulgarian Government, provide against the contingency of an equal division of votes at the arbitration, without, however, giving to the President a casting vote—to which alternative the Bulgarian Government took needless and groundless exception—and afford a means of speedily settling every point which may arise."

These proposals are as follows:—

"1. That the number of Arbitrators should be increased to seven by the addition of a Representative of Turkey, whereby all the Signatory Powers of the Treaty of Berlin will be represented on the arbitration, and the contingency of an equal number of votes would be avoided.

"2. That all questions which may arise in the arbitration involving the interpretation of the Treaty should be referred to the Signatory Powers, whose decision thereon shall be carried out by the Arbitrators.

"3. That all other questions shall be decided by the vote of the majority of the Arbitrators."

In replying to the British note, from which the above extracts are taken, Bulgaria still omits to accept these final proposals, although she offers no criticism on them. The conclusion of the British note is as follows:—

"As I have stated above, Her Majesty's Government have throughout used the greatest forbearance to the Principality, but as Great Britain is one of the Powers parties to the Treaty of Berlin, and is especially interested in the proper execution of the Xth Article, Her Majesty's Government cannot permit the present state of affairs with regard to the Varna Railway Company to continue without protest.

"Unless, therefore, the last proposals made to the Bulgarian Government are accepted, and some substantial payment on account made to the Company forthwith, Her Majesty's Government will consider the expediency of inviting the Signatory Powers of the Treaty of Berlin to convene the Conference at once, without further reference to the Government of Bulgaria in the matter."

To this Bulgaria replies that any payment on account would make a settlement more difficult, and solicits Her Majesty's Government's good offices in effecting a purchase of the line from the Company.

Two Bulgarian delegates came to London in December 1883 to effect a settlement direct with the Company. During the continuance of these direct negotiations the communications entered into with regard to arbitration were, of course, suspended.

Eventually, the following heads of agreement were arrived at:—

"1. Liberation of the line from the lease at the expense of the Company.

"2. Sale and surrender of the line to the Bulgarian Government.

"3. The latter to pay for the same a sum of 50,000,000 fr., less 1,500,000 fr. for repairs, or 48,500,000 fr. net.

"4. Of this sum of 48,500,000 fr. 6,000,000 fr. to be paid in cash, and the balance of 42,500,000 fr. in bonds of the Bulgarian Government, carrying interest at the rate of 6 per cent. per annum, commencing from the 1st January, 1884.

"5. The Customs to be the security for the interest, such Customs being amply sufficient to cover the same."

These terms were not considered quite satisfactory by the Company, which consequently sent delegates to Sophia to try and get them amended. These delegates arranged with Baron Hirsch's Company for a surrender of the lease. But before they reached Sophia a change had taken place in the Bulgarian Ministry, and M. Karaveloff, who had while in opposition maintained that the price offered by M. Zankoff's Government for the line was far too large, was now in power. Any improvement in the terms offered was now manifestly out of the question, so in August 1884 the Company's delegates formally accepted them and asked for their fulfilment.

The Government, however, would only undertake to submit the terms to the Assembly, and this they did in such a manner that the Assembly rejected them, but authorized the Government to continue the negotiations with the Company. In February 1885 Bulgaria offered the following terms:—

"1. Purchase and surrender of the line free of the lease.

"2. Abandonment of all claims for arrears of interest either against the Bulgarian or Turkish Governments.

"3. Possession to be given the 1st (13th) July, 1885.

"4. Bulgaria to pay the price of 43,000,000 fr., 6,000,000 fr. in cash on the 1st (13th) July, 1885, and 37,000,000 fr. in bonds of the Government, bearing interest at 6 per cent. per annum.

"5. Interest to commence from the 1st (13th) January, 1885.

"6. Minimum sinking fund 1 per cent. per annum by drawings at par.

"7. The guarantee for the above to be the general revenues of Bulgaria.

"8. The Company to cease to exist."

These terms the Company has refused, and has asked Her Majesty's Government to proceed with the reference to arbitration.

H. F.

August 4, 1885.

No. 92.

Question asked in the House of Commons, August 7, 1885.

Mr. Tottenham.—To ask the Under-Secretary of State for Foreign Affairs, if any steps have been taken to call the attention of the Bulgarian Government to the obligations imposed on that country by the Xth Article of the Treaty of Berlin in her relations with the Varna Railway Company:

If it is the case that the Bulgarian Government is now indebted to this Company in the sum of 980,000*l.*:

And, whether any offer has been made to discharge this debt, or any portion of it.

Answer.

The attention of the Bulgarian Government has been repeatedly drawn to the obligations imposed on Bulgaria by the Xth Article of the Treaty of Berlin. The correspondence on the subject will be found in the Blue Book No. 13 of 1884, where it will be seen that the amount of the claim is disputed by the Bulgarian Government. The last offer made by Bulgaria has been rejected by the Company.

Her Majesty's Government are of opinion that the best course would be to press for the reference to the Ambassadors at Constantinople which was agreed to by Bulgaria in 1881. Difficulties, however, of a material character have hitherto arisen as to the terms of reference under this engagement.

No. 93.

Extract from the "Times" of August 8, 1885.

THE VARNA AND RUSTCHUK RAILWAY.—*Lord Sandhurst* asked the Prime Minister whether Her Majesty's Government proposed to take any steps, and, if so, what steps to ensure compliance by the State of Bulgaria with Article X of the Treaty of Berlin in so far as it refers to the Varna and Rustchuk Railway. The noble Lord said that several questions had been asked in the House of Commons on the subject, but the answers given had not been very reassuring. The action of the Bulgarian Government had been so dilatory as to be almost suggestive of bad faith. If it were a private individual or firm there would be a method of dealing with it, and he could not see how the code of commercial honour of States differed from that of individuals. The Article of the Treaty of Berlin seemed in danger of lapsing, and if one Article lapsed the whole might do so, an idea in which Her Majesty's Government were hardly likely to concur. He was actuated by no self-interest—he was not a shareholder nor a director—but judging from the Blue Book, the conduct of Bulgaria was at variance with ordinary notions of commercial honour.

The Marquis of Salisbury said that the noble Lord had relied a good deal upon the Article of the Treaty of Berlin, but it was doubtful whether that Article had precisely the bearing which appeared to have been suggested to his mind. He did not gather from it that it gave any new rights to the Company. The Treaty transferred Bulgaria from the Porte to the Prince of Bulgaria, and the Prince succeeded to the obligations of the Porte in respect of this railway. Therefore, the railway Company had precisely the same rights against the Prince that it had against the Porte, neither more nor less. No doubt the railway Company had been badly treated. Successive Governments had done what was in their power to bring about a satisfactory settlement of the claim of the Company, and the noble Lord seemed to think it strange they had not succeeded. No doubt, as the noble Lord had said, in this country a creditor could easily bring a debtor to book, but a bankruptcy court for nations had not yet been discovered, and therefore a process which would be easy in this country could not be applied to a State which did not fulfil its obligations. The noble Lord asked what steps were to be taken to secure the payment of the obligations of the State to the Varna Railway. Security was a big word, and he did not know whether the noble Lord attached any military views to the idea, or whether he intended to carry out the analogy he had instituted by issuing process against Bulgaria, and attaching the body of the Prince or those of the inhabitants. He must say that none of these material methods appear to be open to us, and we were left entirely to such moral influence as other nations and ourselves could exercise. He doubted whether it was incumbent upon us especially, or whether it was incumbent upon all the Signatories to the Berlin Treaty, to secure that proper effect should be given to the Article, but he earnestly hoped that by the wisdom of the nations of Europe some exhortations might be addressed to the Bulgarian Government sufficiently pressing to induce them to do more justice than they had hitherto done to these and to other creditors. He should be sorry to use any language which would separate his statement from those of his predecessors, which had been described as sympathetic but not encouraging. He desired to offer all the sympathy in his power, but he feared he could not promise very much beyond sympathy. All diplomatic means that were open to the Government they would gladly use to secure an equitable settlement of these long-standing claims. It was much to be regretted that they had stood over so long. But at the same time, it was only fair to say it was probable that the delay of the Bulgarian Government in making payment was to be attributed quite as much to financial embarrassment as to any indisposition to satisfy the demands of the Company. He should be glad to use his efforts to get the matter referred to arbitration if he though that arbitration could lead to any practical results, but it did not seem likely that it could do so. The matter should receive all the attention the Government could give to it, but he could not give any promise to secure the satisfaction of the claims of the Company.

No. 94.

Sir J. Pauncefote to Mr. Pasco.

Foreign Office, August 15, 1885.

Sir,

THE attention of the Marquis of Salisbury has been called to an apparent misquotation which occurs in the Report of the Bondholders' Committee of the Varna-Rustchuk Railway.

On p. 17 it is stated that on the 2nd June, 1884, the Company received the following communication from the Foreign Office:—

"Lord Granville has received from Mr. Kennedy a despatch to the effect that the Premier, although sincerely desiring the conclusion of the arrangement, adheres to his last offers, but in case a reasonable counter-proposal should be made by the Company to the Bulgarian delegates at Sophia, it would be favourably entertained."

These words, being italicised in the printed Report, convey the impression of being quoted verbatim from the letter from this Office of the 2nd June, which, however, is not the case. The actual phraseology then employed was as follows:—

"Lord Granville has this day received a telegraphic communication from Mr. Kennedy to the effect that the Prime Minister, while sincerely desirous of effecting a settlement, states that the Bulgarian Government adhere to their last proposal, but that if a reasonable counter-proposal be formally made by the Board of Directors to the Bulgarian delegate at Sophia it will be entertained."

There was no mention of the word "favourably" either in Mr. Kennedy's telegram or in the letter conveying its contents to the Company, and as its employment in the Report is calculated to produce a wrong impression, I am to request that you will be good enough to bring the matter to the notice of the Bondholders' Committee.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 95.

Mr. Graves to the Marquis of Salisbury.—(Received August 12.)

(No. 18. Commercial.)

Sophia, August 4, 1885.

My Lord,

I HAVE the honour to report that, in obedience to the instructions contained in your Lordship's despatch No. 10, Commercial, of the 18th ultimo, I took the opportunity of a conversation which I had with M. Tsanow on Tuesday, the 28th ultimo, to mention to his Excellency the claims of the Varna-Rustchuk Railway Company, and ascertain what prospect there was of an arrangement being come to.

M. Tsanow entered at length into the history of the direct negotiations with the delegates of the Company, and said that he greatly regretted that they had rejected the offer of 43,000,000 fr. which the Bulgarian Government had made, that offer being, in his opinion, an amply sufficient one. His Excellency also defended the *bona fides* of the valuation of the line at 23,475,392 fr. made by the Bulgarian Commissioners, whose Report was published in a Green Book laid before the National Assembly in its last Extraordinary Session, a copy of which, together with a translation which I have made of the conclusions of the Commissioners, I have now the honour to inclose.*

On M. Tsanow informing me that no communication had passed between the Bulgarian Government and the delegates of the Company since the 15th May last, the date of their rejection of the last Bulgarian offer, and that it was not the intention of the Cabinet to move further in the matter, I asked his Excellency whether that was not tantamount to saying that the negotiations had fallen through. This he at first refused to admit, asserting that the delegates had, by the last paragraph of their letter of rejection, left a door open for a resumption of the negotiations, and that the Bulgarian Government were still prepared to entertain their offers. On being slightly pressed, however, his Excellency confessed that, under the circumstances, he did not, for his part, see any reasonable prospect of an arrangement being come to.

When I had risen to go M. Tsanow detained me, and requested that I would delay answering your Lordship's despatch until he should have had further consultation on the subject with M. Karaveloff and his colleagues, as it was possible that they might, after all, have some new suggestion to make.

* Green Book (Translation).

To-day M. Tsanow handed me a *pro-memoriâ*, a copy of which I have the honour to inclose, containing a résumé of the history of these negotiations, together with a suggestion for a new direct arrangement upon the following basis:—

1. The appointment of a Commission of four engineers, two chosen by the Bulgarian Government and two by the Company, to inspect the line and estimate the sum to be spent for repairs necessary to bring the line up to the standard of the "Cahier des Charges."

2. The decision of the majority of Commissioners to be binding on both parties, and in case of divided votes, their Reports to be submitted to the arbitrage of an umpire chosen by arrangement between the British and Bulgarian Governments, whose decision should be final.

3. The Bulgarian Government to engage to add to the 43,000,000 fr. already offered the possible difference between the 7,000,000 fr. estimated for repairs by the Bulgarian Government and the sum estimated by the Commission to be now appointed.

4. The Company to engage to accept all the other conditions laid down in the offer made to its delegates by the letter of the 16th (28th) February, 1885, Sub., No. 639.

M. Tsanow told me that if Her Majesty's Government were unwilling to take a direct part in the arrangement by the appointment of an umpire conjointly with the Bulgarian Government, the latter would be prepared to accept an umpire chosen by arrangement between themselves and the Company.

On my asking M. Tsanow whether it was their intention to make a new offer in this sense to the Company, his Excellency replied that after all that had passed it would be inconsistent with the dignity of his Government to make the first advances, but that they were willing to accept such an offer if made by the Company. He concluded by saying that it was indispensable that the delegates who might come to treat with them should hold absolute full powers from both bond and share holders, as otherwise any arrangement come to was liable to be wrecked by a meeting in London, the recent correspondence in the "Times" having rendered the Bulgarian Government very apprehensive on that head.

I am, &c.
(Signed) ROBERT W. GRAVES.

No. 96.

Mr. Wollaston Blake to Sir J. Pauncefote.—(Received August 15.)

Dear Sir Julian,

8, Devonshire Place, London, August 14, 1885.

I INCLOSE, as requested by you, a Memorandum upon the papers sent from Bulgaria by Mr. Graves, and have pointed out the inaccuracies and fallacies which pervade them. I trust that you will cause a most powerful and urgent despatch to be addressed to Her Majesty's Representative at Sophia, pointing out that this state of things can no longer be allowed to continue, and that failing an immediate and definitive offer being made by Bulgaria, Her Majesty's Government will proceed to call without delay a conference of the Signatory Powers, as indicated in Lord Granville's despatch of the 13th October, 1883, with the view of submitting the claims of the Varna Railway Company upon Bulgaria, under the Treaty of Berlin, to some European Crowned Head. I feel sure, from what I have heard, that the Bulgarian Government dread any step of this kind, and would be brought to reason, and cease to trifle with the matter, and defy the Treaty, if they see you are in earnest. Great as have been the sacrifices made by the Company for a settlement, I feel sure that the sum mentioned by you would be accepted with the interest (as named in their own proposal), dating from the 1st January, 1885; at the same time, the offer of the Zancoff Ministry accepted by the Company proposed that the interest should start from the 1st January, 1884, and as this delay has been caused by the bad faith of the Karaveloff Ministry, and as every year's delay upon the matter upon which they are pressed means a profit to them of 140,000*l.* per annum, and a loss to the Company of the same amount, I trust that in your despatch you will be able to point out that the interest for 1884 from the 1st January to 31st December is equitably due under the Zancoff offer, and should certainly be paid; this means in round figures 6 per cent. upon 12,500,000 francs, or about 100,000*l.*; even then the Company gives up 900,000*l.* in guaranteed interest. I understand there is to be a meeting of their Assembly in

September, and I would venture to suggest that a reply to your despatch be insisted upon within a fortnight.

I remain, &c.
(Signed) H. WOLLASTON BLAKE.

P.S.—I return Mr. Graves' letters and inclosures.

Inclosure in No. 96.

Memorandum.

THE above document relates to two subjects: first, a statement respecting the offer made by the Zancoff Ministry to the Varna Railway for the purchase of the line; and, secondly, making a proposition in respect to the question of the cost of reparation of the existing line with a proposal of reference to settle the amount.

As to the first, the recital of the offer made by the Zancoff Ministry through the delegates, Messrs. Stoïtchoff and Harrower, who were sent to this country, is correctly stated, viz., that they propose to pay 50,000,000 fr. for the line, less 1,500,000 fr. for repairs, or 48,500,000 fr. net to the Company, payable, 6,000,000 fr. in cash and 42,500,000 fr. in 6 per cent. bonds, with interest from the *1st January*, 1884; but the letter they quote as the basis of the above, viz., from the delegates of the 20th March, was not the final official offer on the same basis communicated by the direction of the Prime Minister, M. Zancoff, after the return of the delegates to Sophia: that letter was dated the 30th May, 1884, and was written by the authority of the Government, M. Zancoff having telegraphed to the Company on the same date as follows:—

"Our delegates will reply to you by message," and simultaneously a telegram was received from M. Stoïtchoff as follows:—

"Government maintains offers made by our letter of the 20th March and 9th April, together with all conditions therein mentioned. It finds it impossible to consent to any augmentation whatever. Offers remain open for the Company's acceptance until the 31st December. Letter confirming by the first post."

This letter was duly received, and the above offer remained open, and concluded with the following sentence:—

"An arrangement based on the above terms and conditions will be agreed to by our Government, if it is accepted by the Company before the end of the present year."

After the receipt of this document certain delegates as representing the Board and the bond and share holders were appointed and proceeded to Sophia, and after some negotiations, and finding that they could not get any improvement in the terms, they, on the 15th August, 1884, accepted the offer, pure and simple, and requested the Government to proceed to the signature of the contract upon that basis. The Karaveloff Government, however, who were then in office, although recognizing the validity of the offer made by their predecessors, refused to sign the contract without the previous sanction of the Chamber.

From this it will be seen that the statement in the first division of the *pro memorid*, viz., "had not accepted the offer," is absolutely incorrect, and the arguments based thereon erroneous.

On the second subject, as to the value of the line and the cost of repairs, it is to be observed that the sum of 23,475,000 fr., or 940,000*l.*, is the estimate of the approximate cost of the line at the time of construction made by a Commission appointed by themselves.

Its inadequacy is obvious; that this sum is altogether too low is proved by the fact that, when the first suggestion of the purchase of the line was made by the Volcovitch Ministry, which preceded the Zancoff, a Commission was appointed, consisting of their Director-General of Railways and the best expert engineers they could find, to report upon the cost and value of the line, and they fixed it at a much higher figure.

Furthermore, the Ottoman Government, after the line was constructed, had it most carefully examined by experts, who fixed the amount of expenses incurred in construction on the basis of the specification at 1,052,003*l.* by the Vizirial letter of the 1st July, 1869, or at about 1,000,000*l.* more than the estimate now put forward. Then as to the claim, that to put the line in good order would require an expenditure of

7,000,000 fr., or 280,000*l.*, it can only be characterized as preposterous. When the Company's delegates were in Sophia this sum was mentioned, and they asked upon what grounds such an estimate could have been formed, and it appeared, from the explanations, that this included a total alteration in the plan and sections of the line, the embankments strengthened, the cuttings widened at their base and in their slopes, and a vast number of sleepers and rails to be replaced, reconstruction of stations, and so forth. Of course, the Company never contemplated such works, which amount to a reconstruction of the line, in fact, to an expenditure of 2,000*l.* per mile. When the delegates, Messrs. Stoïtchoff and Harrower, were here (Mr. Harrower having been a Director-General of Railways, and having been concerned himself in the construction of the line), they made an estimate of what they considered would be required, and, including repairs to the stations and increased rolling-stock, they made their estimate at 2,425,000*l.*, and the Company at the same time had a similar estimate prepared independently, and arrived at about the same amount; and it was finally agreed, as a compromise with the Bulgarian delegates, that this sum should be fixed at a maximum of 1,500,000 fr., which was the deduction in their first offer. It must here be pointed out that the Company can only sell the line as it stands, and there are but only two dates when any attempt could be made for the line to be repaired; the first on the expiration of the working lease, the other at the termination of the Concession; and lastly, and most important of all, the line is in good running order, fully equal to the requirements of the traffic; and, if considerable reparations were necessary, it entirely arose from the Bulgarian Government failing in its duty to appoint Commissioners to supervise the railway, which they had the power to do, and which, if they had done, perfect control over the working would have existed, and the line and rolling-stock would have been well maintained, and the pretences for the deductions, now claimed, would have been avoided.

Speaking, however, generally, the Company cannot admit that the "Cahier des Charges," which was finally disposed of by the Ottoman Government in 1860, and which, if varied in any way, was sanctioned by that Government, can now be reopened or questioned, and upon this ground the Company must decline altogether the reference which is proposed for fixing the amount of these excessive repairs upon the basis of the original "Cahier des Charges." The proposal appears to have been made with a view of causing increased and continued delay.

No. 97.

The Marquis of Salisbury to Mr. Graves.

(No. 14. Commercial.)
Sir, *Foreign Office, August* 21, 1885.

I HAVE received your despatch No. 18, Commercial, of the 4th instant, on the subject of the claims of the Varna Railway Company, and have communicated it confidentially to the Chairman of the Company. I now inclose a copy of a Memorandum I have received from him,[b] and which will furnish you with the substance of the reply you will make to M. Tsanow's *pro-memorid*. You will inform M. Tsanow verbally and unofficially that Her Majesty's Government consider the estimate of 7,000,000 fr. for the repair of the line quite inadmissible, as being evidently founded on a totally erroneous view of the nature and extent of the obligations of the Company as to repairs.

That obligation was assessed by the Bulgarian Government during the negotiations of the Company during M. Zancow's Ministry at 1,500,000 fr.; why it should now be raised to 7,000,000 fr. is inexplicable. In the face of such a pretension, Her Majesty's Government see no alternative but that of arbitration. You will go on to say that an instruction is being prepared to demand that the matter should be resolved in that way, and that Her Majesty's Government intend to address the Powers parties to the Treaty of Berlin in that sense. If, however, the Bulgarian Government are disposed to compromise the existing difference with the Company, and to increase their private offer to 46,000,000 fr., Her Majesty's Government, in order to avoid further delay, will use their influence with the Company and the bondholders to induce them to accept it; but a reply must in this case be given at once.

I am, &c.
(Signed) SALISBURY.

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[b] Inclosure in No. 96.

No. 98.

Mr. Graves to the Marquis of Salisbury.—(*Received September* 5, 7·57 P.M.)

Sophia, September 5, 1885, 5·9 P.M.

(Telegraphic.)
MINISTER for Foreign Affairs informs me that a Greek banker at Bucharest, acting for Varna [delegates (?)], has made overture for the sale of the line for 45,500,000 fr. Minister for Foreign Affairs refused to treat on the grounds of insufficient credentials. As this lower offer unfortunately coincided with the communication of the terms of your Lordship's despatch No. 14, Commercial, he declares that he is much embarrassed, but will give me a definite answer on the return of the Prime Minister, who is gone to confer with the Prince on the subject.

No. 99.

The Marquis of Salisbury to Mr. Graves.

Foreign Office, September 8, 1885, 6·30 P.M.

(No. 15. Commercial.)
(Telegraphic.)
YOUR telegram of the 5th September.
Press for an answer to proposal in my No. 14.
Circular to Powers ready.

(Secret.)
If Bulgaria offers 45,500,000 fr., we think it would be accepted.

No. 100.

Mr. Graves to the Marquis of Salisbury.—(*Received September* 17, 10·10 P.M.)

Sophia, September 17, 1885, 7·27 P.M.

(Telegraphic.)
VARNA Railway.
Final decision of the Bulgarian Government as follows:—
Considering that the agent of the delegates previously offered to accept 500,000 fr. less than sum proposed by your Lordship, and considering the state of the line, Bulgarian Government had determined to abide by their former offer of 43,000,000 fr. But in view of your Lordship's benevolent intervention, and the fact that the British Government have been the first to show readiness to conclude Commercial Treaty with them, they now increase offer by 1,000,000 fr., and are ready to conclude contract on the conditions of their letter to the delegates of the 28th February, subject to the previous consent of shareholders and bondholders to cede line for 44,000,000 fr.

No. 101.

The Marquis of Salisbury to Mr. Graves.

Foreign Office, September 18, 1885.

(No. 16. Commercial.)
(Telegraphic.)
VARNA Railway Company would accept 44,500,000 fr. for sake of settlement.
May conclude on these terms.

No. 102.

Mr. Graves to the Marquis of Salisbury.—(*Received September* 19.)

Sophia, September 7, 1885.

(No. 26. Commercial. Ext. 12.)
My Lord,
I HAVE the honour to report that on Monday last, the 31st ultimo, I made a verbal and unofficial communication to M. Tsanow in the terms indicated in your Lordship's despatch No. 14, Commercial, of the 21st ultimo, with respect to the claims

of the Varna-Rustchuk Railway Company, and the negotiations for the sale of the line to the Bulgarian Government.

M. Tsanow then informed me that a M. Chressoveloni, of Bucharest, accompanied by a broker of the same city, named Persinaki, had been at Sophia for some days past, endeavouring to conclude an arrangement for the sale of the railway. They were provided with a letter addressed by Messrs. Mavrogordato, Sechiari, and Landau to M. Rodoconaki, of London, stating that M. Chressoveloni was authorized by them to sign the necessary contract with the Bulgarian Government, and promising to use their influence with the Company to procure its ratification if he should prove successful.

M. Tsanow showed me a copy of this letter, which M. Chressoveloni had inclosed in a note to his Excellency, proposing to enter into direct negotiations with him, and told me that after several informal interviews between M. Karaveloff and these gentlemen, in the course of which it was elicited that the latter would accept on behalf of the Company an offer of 45,500,000 fr., he himself wrote officially to M. Chressoveloni, stating that the Bulgarian Government could not treat with him, on the ground that his credentials were insufficient.

His Excellency promised to give me an answer as soon as he had deliberated with his colleagues, and took a careful note of the terms of the communication which I had just made, as well as of the grounds which prompted the Varna Railway Company to refuse the reference which he proposed in the document marked "*Pro-memorid*," a copy of which I had the honour to transmit to your Lordship in my despatch No. 18, Commercial, of the 4th ultimo.

On Saturday, the 5th instant, I reminded M. Tsanow of his promise to give me a speedy answer, and was told by his Excellency that two Cabinet Councils had been held on the subject, and that M. Karaveloff had left Sophia the day before to confer with the Prince of Bulgaria.

He was very much embarrassed by the fact, that at the moment when Her Majesty's Government were willing to use their influence to induce the Company and bondholders to accept the sum of 46,000,000 fr., private agents, holding a letter of authorization from the ex-delegates of the Company, should show themselves ready to accept a lower offer. Under the circumstances, he must beg to be allowed to defer giving a definite answer until the return of the Prime Minister, which would be in four or five days. His Excellency at the same time requested that Her Majesty's Government might be informed of the causes of this delay, and I accordingly telegraphed the same day to your Lordship, giving a brief statement of what had occurred.

I am informed, upon good authority, that M. Chressoveloni and his companion, who left Sophia on the 31st ultimo, are prepared to give a direct contradiction to any statement which might be made to the effect that they had offered to accept a sum of 45,500,000 fr. The opportunity for this contradiction has now presented itself, as the "Tirnovska Constitutzia," the semi-official organ of the present Ministry, has just published an apparently inspired article, in which the assertion is made in so many words.

I have, &c.
(Signed) ROBERT W. GRAVES.

No. 103.

Mr. Graves to the Marquis of Salisbury.—(*Received September* 19, 3 P.M.)

Sophia, September 19, 1885, 12·30 P.M.

(Commercial.)
(Telegraphic.)
RECEIVED your Lordship's telegram of yesterday. Varna Railway. If the unionist movement is successful, I believe that Government [will be] in a position to offer more; if it fail they are probably ruined. I cannot see Minister for Foreign Affairs [till] Monday. Shall I withhold communication of figure pending further instructions?

No. 104.

Sir Villiers Lister to Mr. Wollaston Blake.

SIR VILLIERS LISTER presents his compliments to Mr. Wollaston Blake, and, by direction of the Marquis of Salisbury, begs to inform him that a telegram in the following sense has been received from Her Majesty's Acting Agent and Consul-General at Sophia, dated the 19th September:—

"If the movement for union of Bulgaria and Eastern Roumelia is successful, Bulgarian Government will probably be able to offer more for the Varna Railway; if the movement fails it will probably be ruined. Under these circumstances, shall I withhold the compromise of 44,500,000 fr.? I cannot see the Minister for Foreign Affairs till Monday."

Sir Villiers Lister would be glad to know what answer Mr. W. Blake would advise being sent to Mr. Graves' inquiry.

Foreign Office, September 19, 1885.

No. 105.

Mr. Graves to the Marquis of Salisbury.—(Received September 21.)

(Private.) *Sophia, September* 8, 1885.

My Lord,

SOME of the circumstances in connection with the recent private negotiations for the purchase of the Varna Railway by the Bulgarian Government are of such a nature that I have thought it my duty to supplement my despatch No. 20, Commercial, of yesterday's date, by a private letter to your Lordship. The Emissaries to whom I referred, Messrs. Chressovéloni and Persinaki, passed about ten days at Sophia, during which time they made no attempt whatever to enter into verbal or written communication with this Agency, although they were in constant communication with M. Rangabé, the Greek Agent here, and I was only indirectly informed of their presence and movements. I conclude from this that they were ignorant of the diplomatic pressure now being exercised by Her Majesty's Government for the speedy settlement of the question, which their presence here has so strongly contributed to counteract; otherwise they must have endeavoured to ascertain the nature of that pressure before committing themselves in any way. When their proposal to treat was rejected by the Bulgarian Minister for Foreign Affairs, after the latter had, as he tells me, elicited from them all that he had wished to know, viz., the sum they were prepared to accept, they at once energetically denied having named any figure, begging M. Rangabé to contradict any assertion that might be made to the effect that they had expressed themselves willing to accept the sum of 45,500,000 fr., although little doubt is expressed here that they had done so, at least by implication.

I am informed that M. Chressovéloni told M. Rangabé that his mission was undertaken chiefly for the sake of private interests. If this be true, the nature of these private interests is not hard to guess at, as he was sent here by M. Rodoconaki, who is said to be a principal creditor in M. Mavrogordato's bankruptcy. M. Tsanow told me that M. Chressovéloni refused to divulge the nature of his agreement with M. Rodoconaki.

M. Tsanow took the opportunity of his last interview with me to express his dissatisfaction at always having to deal with Greeks in this matter. Although the Company was an English one, the only Englishman who had come to Sophia to represent the Company was Dr. Clarke, who temporarily replaced M. Landau on the occasion of the last visit of the delegates, and with him it was impossible to treat, owing to his ignorance of foreign languages and the restraint put upon him by his Greek colleagues. M. Tsanow said that he was convinced that the latter had profited by their position to undertake various Stock Exchange operations, and their manner of conducting the affair had not been calculated to command the respect of the Bulgarians.

There can be no doubt that, independently of other reasons, the nationality of the Greek delegates has been a great bar to their success in the present temper of the Bulgarians.

In conclusion, I may say that the Bulgarians are not unnaturally elated at the turn which things have taken, as they consider that each fresh abatement of

the Company's pretensions reduces the possible award which a Conference might give against them, for they argue that this cannot be more than what the Company would have accepted, nor less than they had themselves offered during the direct negotiations.

I have, &c.
(Signed) ROBERT W. GRAVES.

No. 106.

Mr. Wollaston Blake to Sir Villiers Lister.—(Received September 21.)

Dear Sir Villiers, *Brawith Hall, Thirsk, September* 20, 1885.

YOUR letter of the 19th, sent to my house yesterday afternoon, has reached me here.

I am of opinion that it will be best for Mr. Graves to make the offer of 44,500,000 fr. for the Varna line as previously instructed to do, and conclude if he can on those terms, with interest from 1st January, 1885, as understood, and offered by Bulgaria previously.

This price of 44,500,000 fr. is acceptable to the Committee of bond and share holders, and to the Board, as a compromise under the circumstances of the intolerable delays and disappointments that have occurred, and the urgency that exists for some definite settlement.

I do not think in any event the Varna Company could hope to get any substantial increase to the 45,000,000 fr. lately named as a sum to be accepted, and the 48,000,000 fr. agreed to by the Zaneoff Ministry was rejected by the Assembly, and 43,000,000 fr. was offered by the Karaveloff Ministry, who succeeded them.

I think it would not be advisable to wait the result of this movement for the union of Bulgaria and Eastern Roumelia, as it must lead to further delays in the settlement of this interminable and vexatious business, and is, moreover, a matter foreign to the Varna question proper.

I shall be in town again on Tuesday.

I remain, &c.
(Signed) H. WOLLASTON BLAKE.

No. 107.

The Marquis of Salisbury to Mr. Graves.

(No. 17. Commercial.)
(Telegraphic.) *Foreign Office, September* 21, 1885, 3 P.M.

YOUR telegram of 19th: Varna Railway.

Do not delay the communication.

No. 108.

Mr. Graves to the Marquis of Salisbury.—(Received September 24, 1·30 P.M.)

(Telegraphic.) *Sophia, September* 24, 1885.

I HAVE received note from Minister for Foreign Affairs offering 44,500,000 fr. for the Varna Railway, and thanking your Lordship for kind intervention.

No. 109.

Sir Villiers Lister to Mr. Wollaston Blake.

Sir, *Foreign Office, September* 24, 1885.

I AM directed by the Marquis of Salisbury to acquaint you that his Lordship has this day received a telegram from Her Majesty's Acting Agent and Consul-General at Sophia, stating that he has received a note from the Minister for Foreign Affairs, offering 44,500,000 fr. for the Varna-Rustchuk Railway.

I am, &c.
(Signed) T. V. LISTER

No. 110.

Mr. Graves to the Marquis of Salisbury.—(Received September 25.)

(No. 22. Commercial. Ext.)

Sophia, September 17, 1885.

My Lord,

I HAVE the honour to report that M. Tsanow called upon me to-day, and handed me a Memorandum, a copy of which I have the honour to inclose, to the effect that the Bulgarian Government were ready to purchase the Varna-Rustchuk Railway line from the Company for a sum of 44,000,000 fr., subject to the conditions of their letter of the 28th February, 1885, to the delegates of the Company, and the previous consent of the share and bond holders to the cession of the line.

I lost no time in acquainting your Lordship by my telegram in cypher of to-day's date with the substance of this Memorandum, and I have now the honour to add some particulars given to me verbally by M. Tsanow.

His Excellency informed me that this was the last and highest offer which his Government could make to the Company, and said that he trusted that it would receive the support of Her Majesty's Government. He accounted for the long delay which had occurred in answering the communication contained in your Lordship's despatch No. 14, Commercial, of the 21st ultimo, by saying that this matter had been made a Cabinet question. It was impossible for them to make a higher offer, which they knew they could not carry through the Chamber in the next Session, as that would entail the resignation of the Government. As it was, M. Karaveloff had taken advantage of his recent tour to make himself acquainted with the views of a large number of Deputies on the subject, and the Government made this offer knowing how far they would be supported by a majority of the Chamber.

I have reason to believe that what M. Tsanow says is substantially correct, but this state of things has been brought about by the present Ministry themselves, who were the first to use the question of the Varna Railway Company's claims as a political weapon when they were in opposition to M. Zancoff's Government. Since they have been in office they have naturally been bound by their previous utterances, and they have never ceased through the press, in the Chamber, and by the publication of the Green Book, a copy of which I had the honour to inclose in my despatch to your Lordship No. 18, Commercial, of the 4th ultimo, to do their best to depreciate the value of the line. Unless then their position is materially strengthened, they can hardly be expected, even if they wish it, to ask the sanction of the Chamber to an offer of several millions of francs more than they have repeatedly declared that the railway is worth.

I have, &c.
(Signed) ROBERT W. GRAVES.

Inclosure in No. 110.

Memorandum.

LE Gouvernement Princier, considérant qu'avant la proposition de sa Seigneurie Lord Salisbury, M. Chrisovéloni, envoyé par les délégués, Messrs. Mavrogordato, Sechiari, et Landau, lui avait offert de céder le Chemin de Fer Varna-Roustchouk contre une somme de 500,000 fr. inférieure à celle qui fut proposée par sa Seigneurie, et que l'état dans lequel se trouve la dite ligne aujourd'hui ne lui permet pas d'augmenter l'offre faite à MM. les délégués le 16 (28) Février passé, avait l'intention arrêtée de maintenir ses propositions.

Mais prenant en considération, d'autre part, l'obligeante et bienveillante intervention de sa Seigneurie Lord Salisbury ainsi que le fait que l'Angleterre s'est la première déclarée prête à conclure une Convention Commerciale avec la Principauté, voulant, d'un autre côté, prouver aussi en cette occasion quel prix il attache aux conseils qui lui viennent de la part du Gouvernement de Sa Majesté Britannique, le Gouvernement Princier met à la disposition de sa Seigneurie 1,000,000 fr. sur les 43,000,000 fr. offert à MM. les délégués et se déclare prêt à conclure, sur les bases qu'il leur a communiqués par sa lettre du 16 (28) Février, le contrat spécial avec la Compagnie, dès qu'il lui sera annoncé que les "shareholders" et "bondholders" consentent à céder la ligne au prix de 44,000,000 fr.

No. 111.

Mr. Graves to the Marquis of Salisbury.—(Received September 25.)

(No. 23. Commercial. Ext.)

Sophia, September 19, 1885.

My Lord,

I HAVE the honour to acknowledge the receipt of your Lordship's telegram, in cypher, of yesterday's date, to the effect that the Varna Railway Company would accept the sum of 44,500,000 fr. for the line.

I at once telegraphed in reply to your Lordship, stating that it was my belief that if the unionist movement reported in my telegram of last night succeeded, the Bulgarian Government would be in a position to offer more; if it failed, they were probably ruined. It was impossible for me to see the Minister for Foreign Affairs before Monday, as he had announced that he could not receive the foreign Representatives owing to the confusion resulting from the grave events of the last two days, and concluded by asking if I should withhold the communication of the figure of 44,500,000 fr. pending further instructions.

This afternoon, to my surprise, a M. Embiricos called upon me and showed me a power of attorney from Messrs. Mavrogordato, Sechiari, and Landau, authorizing him to sign a contract for the sale of the line for 45,000,000 fr.

He told me that he had been for three days at Sophia, and that he had already seen M. Tsanow, to whom, after an exchange of telegrams with the Varna delegates, he had expressed his readiness to accept on behalf of the Company 44,500,000 fr.

M. Embiricos informed me that he knew from private sources that I must have received instructions to make a communication in the same sense, and pressed me to do so at once, as he believed that if the unionist movement succeeded, the Bulgarian Government would offer the Company even less than before, and they must take at once whatever they could get.

I replied that, in the first place, M. Tsanow had stated that he would not receive to-day, and secondly that having referred to your Lordship for a confirmation of yesterday's telegram, in view of the entirely changed situation, I must await your Lordship's answer before acting.

M. Embiricos said that it was important to act at once, as he was sure the Bulgarian Government would be ready to make the necessary increase in their offer, and it would be possible to telegraph for M. Karaveloff's consent to Tirnova. He also threatened to telegraph to London, complaining that I refused, without reason, to act in accordance with your Lordship's instructions.

I said that he was at liberty to telegraph the truth, which was that I saw no sufficient ground for acting so very hastily and so putting myself in a false position, not to mention the fact that the Minister for Foreign Affairs would not receive me. I would await your Lordship's reply, and act upon the instructions I received.

I have, &c.
(Signed) ROBERT W. GRAVES.

No. 112.

Mr. Graves to the Marquis of Salisbury.—(Received September 25, 3·10 A.M.)

(Commercial.)
(Telegraphic.) *Sophia, September 24, 1885, 10·10 P.M.*

VARNA. If speedy ratification of sale desired, important that the shareholders' acceptance should be telegraphed at once, as the Extraordinary Session of Chamber probably ends on 25th instant.

No. 113.

Mr. Wollaston Blake to Sir Villiers Lister.—(Received September 25.)

Dear Sir Villiers, 8, *Devonshire Place, W., September 24, 1885.*

I HAVE seen a telegram from Sophia, stating that an official letter had been sent late on Tuesday the 22nd to Mr. Graves, accepting the offer made by the Company, through the Foreign Office, of 44,500,000 fr., and that this would be brought before

the Assembly for confirmation to-morrow, in all probability, and was sure to be confirmed.

Would you kindly cause a line to be sent to me to say whether a telegram has been sent to the Foreign Office from the Acting Consul-General to this effect, as I shall have to call, in that event, a meeting of the Council and a public meeting of shareholders to confirm and ratify the sale. I called this evening at the Foreign Office, but too late. I leave London to-morrow midday, and my address for to-morrow's post will be Brawith Hall, Thirsk; and for Saturday and Monday's post at Earl Cathcart's, Thornton-le-Street, Thirsk.

I return Tuesday.

Believe me, &c.
(Signed) H. WOLLASTON BLAKE.

No. 114.

Sir Villiers Lister to Mr. Wollaston Blake.

Foreign Office, September 25, 1885.

Sir,

I AM directed by the Marquis of Salisbury to acknowledge the receipt of your letter of yesterday, and, in reply, I am to acquaint you that a telegram was received yesterday from Her Majesty's Acting Agent and Consul-General at Sophia, to the effect that the Bulgarian Minister for Foreign Affairs had offered 44,500,000 fr. for the Varna Railway. A letter to this effect was at once addressed to you and sent to the Company's Office, as it appeared from your letter of the 20th instant that you would leave Thirsk for London on the 20th instant.

This information was also verbally communicated to your son, who called at this Office this morning.

Subsequently to his departure a further telegram was received from Mr. Graves, to the effect that it was important that the shareholders' acceptance should be telegraphed at once, as the Extraordinary Session of the Chamber will probably end to-day if a speedy ratification of the sale were desired. An intimation to this effect was thereupon dispatched by messengers to your son at 8, Devonshire Place, who will doubtless exercise his discretion as to telegraphing its purport to you.

I am, &c.
(Signed) T. V. LISTER.

P.S.—I am at the same time to inclose, for your confidential perusal, two despatches which have been received this day from Mr. Graves,* and which I am to request you to return when done with.

T. V. L.

No. 115.

Mr. Wollaston Blake to Sir Villiers Lister.—(Received September 26, 12·52 P.M.)

Thirsk, September 26, 1885, 12·20 P.M.

(Telegraphic.)

DOCUMENTS received: think Consul at Sophia should be telegraphed to-day that legal formalities and notices for public meeting of shareholders prevent obtaining their immediate ratification; ten days must elapse, but that Administrative Council and Shareholders' Committee accept offer of 54,500,000 fr., and shareholders' ratification practically certain.

No. 116.

Sir Villiers Lister to Mr. Wollaston Blake.

Foreign Office, September 26, 1885, 1·55 P.M.

(Telegraphic.)

OFFER is 44,500,000 not 54,500,000, as stated in your telegram.

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* Nos. 110 and 111.

No. 117.

Mr. Wollaston Blake to Sir Villiers Lister.—(Received September 28.)

Thornton-le-Street, Thirsk, September 27, 1885.

Dear Sir Villiers,

I RECEIVED your letter of the 25th and letters from Mr. Graves, for the perusal of which I thank you, and now return with this note. I also received your telegram last evening, informing me that the telegram I sent you had been missent, by stating the sum of 54,500,000 instead of 44,500,000. This was an error of the telegraph office; my copy is clear, and I know the telegram form to the post-office named 44,500,000, and I never thought of any other sum. Thank you for pointing out the error of transmission, about which I shall inquire to-morrow.

Under the circumstances, as there could be no mistake as to the real amount, so often named in the correspondence, you have no doubt telegraphed the right sum when speaking of the acceptance of the offer and shareholders' ratification.

I am, as you see by the address, now staying with Lord Cathcart, but I return to town on Tuesday, arriving in the afternoon.

Believe me, &c.
(Signed) H. WOLLASTON BLAKE.

No. 118.

The Marquis of Salisbury to Mr. Graves.

(No. 18. Commercial. Ext. 19.)

Foreign Office, September 28, 1885, 1·30 P.M.

Sir,

YOUR telegram of 24th.

You should have intimated earlier that immediate action was required. Company state that legal formalities and notices for public meeting of shareholders prevent obtaining their immediate ratification. Ten days must elapse, but Administrative Council and Shareholders' Committee accept offer of 44,500,000 fr., and shareholders' ratification is practically certain.

I am, &c.
(Signed) SALISBURY.

No. 119.

The Marquis of Salisbury to Mr. Graves.

(No. 19. Commercial. Ext.)

Foreign Office, September 28, 1885.

Sir,

I HAVE received your despatches Nos. 22 and 23, Commercial, of the 17th and 19th instant respectively, on the subject of the Varna Railway, and I approve your action with regard to M. Embiricos' representation, as reported in the second of these despatches.

With regard, however, to your telegram of the 24th instant, which was only received at this Office at 3·10 A.M. on the morning of the 25th, I need hardly point out to you that no reply could be sent until communications had taken place between this Office and the Varna Railway Company, and it was not possible to obtain their opinion and to return you an answer before the closing of the Session of the Bulgarian Chamber, which took place the same day as your message was received.

As I have informed you by my telegram of this day, the Varna Railway Company have intimated that their immediate ratification can not be notified until certain legal formalities have been gone through, and notices issued for a public meeting of shareholders to be held. An interval of some ten days must accordingly elapse before the formal ratification of the Company can be announced, but the offer of 44,500,000 fr. is accepted by the Administrative Council and Shareholders' Committee, and the subsequent ratification of the shareholders themselves may be regarded as practically secured.

I am, &c.
(Signed) SALISBURY.

No. 120.

The Marquis of Salisbury to Mr. Lascelles.

(No. 20. Commercial.) (Telegraphic.) *Foreign Office, October* 8, 1885.

FOLLOWING Resolution passed at meeting of Varna shareholders:—

"That the sum of 44,500,000 fr., proposed to be paid partly in cash and partly in 6 per cent. Bulgarian Government bonds, with interest from the 1st January, 1885, offered for acceptance by the Bulgarian Government, be approved by this meeting as a total to be taken by the obligation holders, shareholders, and others interested in the Varna-Rustchuk Railway in satisfaction of their respective rights, provided the same be ratified by the Bulgarian Assembly within six weeks."

Inform and urge immediate ratification.

No. 121.

The Marquis of Salisbury to Mr. Lascelles.

(No. 21. Commercial.) *Foreign Office, October* 8, 1885.

Sir,

I INCLOSE, for communication to the Bulgarian Government, the accompanying copy of a Resolution passed at a meeting of the Varna and Rustchuk Railway Company held on the 7th instant,* accepting the offer lately made by the Bulgarian Government for the purchase of the railway in question.

I have to request you, in communicating this paper to the Bulgarian Government, to request them to procure the immediate ratification of this arrangement by the Assembly.

I am, &c.
(Signed) SALISBURY.

No. 122.

Sir J. Pauncefote to Mr. Wollaston Blake.

(Private.) *Foreign Office, October* 8, 1885.

Dear Mr. Blake,

I INCLOSE, for your information, copy of the telegram Lord Salisbury has sent to Sophia in accordance with your request.†

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 123.

Mr. Graves to the Marquis of Salisbury.—(*Received October* 9.)

(No. 25. Commercial.) *Sophia, September* 30, 1885.

My Lord,

ON the receipt of your Lordship's telegram in cypher of the 21st instant, instructing me not to delay communicating to the Bulgarian Government the willingness of the Varna-Rustchuk Railway Company to accept the sum of 44,500,000 fr. for the purchase of their line, I at once went in search of M. Tsanow, whom I found after some difficulty at the telegraph office, engaged in communication with the Prince of Bulgaria.

His Excellency informed me that M. Karaveloff was expected at Sophia that evening, and that I should have an immediate answer to the Company's proposal.

The same night the answer came in the form of an official note from M. Tsanow, a copy of which I have the honour to inclose,‡ to the effect that the Bulgarian Government, to prove once more how much they appreciated the intervention of the British Government in this matter, accepted the Company's proposal, and now offered to purchase the Varna Railway line for the sum of 44,500,000 fr., on the conditions laid

* Communicated by Mr. W. Blake. † No. 120. ‡ M. Tsanow, September 22, 1885.

down in M. Tsanow's letter to the delegates of the 16th (28th) February, 1885. M. Tsanow concludes by asking me to convey the sincere thanks of his Government to your Lordship, and to all the members of the Cabinet, for the kind intervention of Her Majesty's Government. I had the honour to announce this offer of the Bulgarian Government to your Lordship by my Commercial telegram, in cypher, of the 22nd instant.

The Bulgarian Chamber met on the 23rd instant, having been convoked for a short Extraordinary Session to vote supplies; but on the morning of the 24th instant I received private intelligence that, contrary to all expectation, it was possible that the sanction of the Chamber to the purchase of the line might be obtained in the present Session, for political reasons, if the consent of the shareholders could be speedily procured, and I consequently telegraphed at once to your Lordship to that effect.

I may observe that my telegram in cypher, No. 13 of the 17th instant, and my despatch to your Lordship No. 22, Commercial, of the same date, both call attention to the fact that the previous consent of the shareholders has all along been regarded by the Bulgarian Government as a condition *sine qua non* for the ratification of the sale. The Company must also have been fully informed on this point by the telegrams of M. Embiricos, the representative here of the delegates.

Yesterday, the 29th instant, I received your Lordship's telegram in cypher of the 28th instant, informing me that I should have intimated earlier that immediate action was required, and that, owing to legal formalities, ten days must elapse before the ratification by the meeting of shareholders could be obtained, but that the Administrative Council and the Shareholders' Committee having accepted the offer, the ratification was practically certain.

I have now the honour to inclose copies of a note which I addressed to M. Tsanow at his Excellency's request, conveying the substance of your Lordship's telegram, and of the reply which I have received from his Excellency,* expressing the readiness of his Government to conclude the final contract on the basis of his letter to the delegates of the 28th February as soon as the ratification by the meeting of shareholders is obtained, and engaging to present the contract for the ratification of the Chamber, which is temporarily adjourned, as soon as the Deputies shall have been convoked.

I have, &c.
(Signed) ROBERT W. GRAVES.

Inclosure in No. 123.

Mr. Graves to M. Tsanow.

M. le Ministre, *Sophia, le 29 Septembre*, 1885.

COMME complément à mon office du 24 du courant, j'ai l'honneur de porter à la connaissance de votre Excellence que je viens de recevoir du Principal Secrétaire d'État de Sa Majesté Britannique pour les Affaires Étrangères un télégramme au sujet du rachat du Chemin de Fer Varna-Roustchouk.

Il en résulte que par suite des formalités légales requises pour la convocation de l'assemblée générale des actionnaires, celle-ci ne peut être réunie avant une dizaine de jours au moins. Mais sa Seigneurie ajoute que le Conseil Administratif de la Société et le Comité des Actionnaires acceptent la proposition du Gouvernement Princier, et qu'en conséquence la ratification par les actionnaires paraît moralement certaine.

Je saisis, &c.
(Signé) ROBERT W. GRAVES.

No. 124.

Mr. Pasco to the Marquis of Salisbury.—(*Received October* 10.)

Varna Railway Company, Offices, 56, New Broad Street, London, October 8, 1885.

My Lord,

I AM instructed to forward to your Lordship copy of the Resolution passed at the Special General Meeting of the shareholders of the Varna-Rustchuk Railway, held yesterday, approving the offer of 44,500,000 fr. made by the Bulgarian Government, and to request your Lordship to be so good as to urge Her Majesty's Represen-

* Not printed.

tative in Sophia to lose no time in requesting the Bulgarian Ministry to bring this matter at once before the Bulgarian Assembly, with a view of obtaining their ratification of the terms.

I am, &c.
(Signed) ROBT. PASCO, *Secretary.*

Resolved,—That the sum of 44,500,000 fr., proposed to be paid partly in cash and partly in 6 per cent. Bulgarian Government bonds, with interest, offered for acceptance by the Bulgarian Government, be approved by this meeting as a total to be taken by the obligation holders, shareholders, and others interested in the Varna-Rustchuk Railway in satisfaction of their respective rights, provided it be formally ratified within six weeks from the present date.

(Signed) ROBT. PASCO, *Secretary.*

No. 125.

Mr. Bourke to Mr. Pasco.

Foreign Office, October 15, 1885.

Sir,

I AM directed by the Marquis of Salisbury to transmit to you, for your perusal, the accompanying copies of two notes addressed by the Bulgarian Minister for Foreign Affairs to Her Majesty's Acting Agent and Consul-General at Sophia.*

I am to request you to return these copies when done with.

I am, &c.
(Signed) ROBERT BOURKE.

No. 126.

Mr. Graves to the Marquis of Salisbury.—(*Received October* 18.)

(No. 10. Commercial.) *Sophia, October* 18, 1885.
(Telegraphic.)

VARNA.

[?] pressing for ratification. Minister for Foreign Affairs to-day informed me that, for political reasons, impossible to say exactly when Chamber will meet.

If hostilities ensue, further delay caused. But Government anxious to conclude contract at once with fully empowered Representative of Company, to be ratified as soon as Chamber meets.

No. 127.

Sir J. Pauncefote to Mr. Pasco.

Foreign Office, October 21, 1885.

Sir,

I AM directed by the Marquis of Salisbury to state to you that his Lordship has received a telegram from Her Majesty's Acting Agent and Consul-General at Sophia, reporting an interview with the Minister for Foreign Affairs, who said that the Bulgarian Government were anxious to conclude at once with a fully empowered Representative of the Varna Railway Company a contract which would be ratified as soon as the Chamber meets.

His Excellency added that, owing to political circumstances, it was impossible to say exactly when the Chamber will meet, and that an outbreak of hostilities would cause still further delay.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

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* September 10 (22), 1885; Inclosure in No. 123.

No. 128.

Mr. Graves to the Marquis of Salisbury.—(*Received October* 31.)

(No. 27. Commercial. Ext.) *Sophia, October* 19, 1885.

My Lord,

ON the receipt of your Lordship's telegram, *en clair*, Commercial, of the 8th instant, I informed M. Tsanow of the Resolution which had been passed by the meeting of shareholders of the Varna-Rustchuk Railway Company, to accept the offers of the Bulgarian Government, and I urged his Excellency to take the necessary measures at once for obtaining the ratification of the Chamber. M. Tsanow expressed his satisfaction at this result, and requested that I would convey it to him in writing, which I accordingly did by a note to his Excellency, a copy of which I have the honour to inclose. M. Tsanow also promised that he would let me know what decision was taken as to the convocation of the National Assembly to ratify the purchase.

On Saturday, the 17th instant, as I had the honour to inform your Lordship by my telegram in cypher of the same day, I again urged upon M. Tsanow the speedy ratification of the purchase, drawing his Excellency's special attention to the last clause of the Resolution.

His Excellency then told me that as a result of the political complications which had taken place, and the fear of hostilities ensuing, the Chamber would probably not meet again so soon as had been contemplated; in fact, it was impossible for him to say exactly when it would be convoked. In the meantime, the Bulgarian Government would be very glad to conclude the contract for the purchase upon the conditions which had been settled, if a fully empowered representative of the Company arrived at Sophia.

The contract being ready would then receive the sanction of the Chamber as soon as it was materially possible, but if, in the grave crisis through which they were passing, they were prevented by *force majeure* from summoning the Chamber within the term of six weeks mentioned in the Resolution which I had communicated, his Excellency trusted that that term might be prolonged, as they were sincerly anxious to terminate the affair.

I have, &c.
(Signed) ROBERT W. GRAVES.

Inclosure in No. 128.

Mr. Graves to M. Tsanow.

Sophia, October 9, 1885.

M. le Ministre,

I AM instructed by Her Majesty's Principal Secretary for Foreign Affairs to inform your Excellency that the general meeting of the shareholders of the Varna-Rustchuk Railway Company passed the following Resolution:—

"That the sum of 44,500,000 fr., proposed to be paid partly in cash and partly in 6 per cent. Bulgarian Government bonds, with interest from the 1st January, 1885, offered for acceptance by the Bulgarian Government, be approved by this meeting, as a total to be taken by the obligation holders, shareholders, and others interested in the Varna-Rustchuk Railway in satisfaction of their respective rights, provided the same be ratified by the Bulgarian National Assembly within six weeks."

I have reason to believe that the meeting in question was held on Wednesday, the 7th instant.

I am also instructed by Lord Salisbury to urge your Excellency that the necessary measures be taken for obtaining the immediate ratification by the Bulgarian National Assembly of the purchase of the Varna-Rustchuk line.

I have, &c.
(Signed) ROBERT W. GRAVES.

No. 129.

Sir J. Pauncefote to Mr. Wollaston Blake.

SIR JULIAN PAUNCEFOTE presents his compliments to Mr. Wollaston Blake, and begs to inclose, for his confidential perusal and return to this Office, a despatch, as marked in the margin,* from Her Majesty's Acting Agent and Consul-General at Sophia respecting the Varna Railway.

Foreign Office, November 2, 1885.

No. 130.

Mr. Graves to the Marquis of Salisbury.—(*Received November* 4.)

(Commercial.) *Sophia, November* 3, 1885.
(Telegraphic.)

I HAVE received a note from the Minister for Foreign Affairs acknowledging my communication of the Resolution of the Varna shareholders' meeting.

Bulgarian Government will hasten to lay down the conditions of purchase of the line with the delegate of the Company, who has arrived at Sophia. But they hope that the Company will not insist upon the term of six weeks fixed by them for the ratification by the National Assembly, as it may not be possible to convoke the National Assembly under the circumstances within that term.

They beg that the above may be communicated to the Administrative Council and a reply given at once.

Minister for Foreign Affairs to-day informed me, verbally, that in the present state of uncertainty and exasperation against Servia, it would be highly dangerous to convoke the National Assembly, which would be in favour of war with Servia. But the Bulgarian Government engage to bring the matter before the National Assembly in its first meeting of ordinary or extraordiary Session, and his Excellency suggests that Company should accept this proposal instead of fixing a term which it may be impossible to observe.

Delegate of the Company begs me to state that he regards a delay as most probable, and insists on necessity of agreeing to Minister for Foreign Affairs' suggestion.

This opinion seems quite justified by existing circumstances.

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* No. 128.